CURRENT PERIODICALS
DEC 07 1999
BROOKLYN COLLEGE

MONTHLY REVIEW

VOL. 51
7
DECEMBER 1999
$4.00/£3.00
AN INDEPENDENT SOCIALIST MAGAZINE

Global Economic Crisis, Neoliberal Solutions, and the Philippines
Kim Scipes

APEC at Auckland
Jim Delahunty

Competition and Class: Robert Brenner Replies to John Bellamy Foster and David McNally

Books:

Marxism, Human Nature, and Social Change by Martha Gimenez

New Labour, New Thatcherites by John Newsinger

1949-1999 50 YEARS

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

MONTHLY REVIEW VOLUME 51 NUMBER 7 DECEMBER 1999

Editors:
Paul M. Sweezy
Harry Magdoff
Ellen Meiksins Wood
Leo Huberman (1903-1968)
Vicki Larson
Assistant Editor
Martin Paddio
Circulation Manager

GLOBAL ECONOMIC CRISIS, NEOLIBERAL SOLUTIONS, AND THE PHILIPPINES
by Kim Scipes 1

APEC AT AUCKLAND
by Jim Delahunty 15

COMPETITION AND CLASS: A REPLY TO FOSTER AND McNALLY
by Robert Brenner 24

MARXISM, HUMAN NATURE, AND SOCIAL CHANGE
by Martha Gimenez. 45

NEW LABOUR, NEW THATCHERITES
by John Newsinger. 54

MONTHLY REVIEW (ISSN 0027 0520) is a publication of Monthly Review Foundation, a non-profit o rganization. It is published monthly except July and August, when bimonthly, and copyright ©1999, by Monthly Rev iew. Periodicals postage paid at New York, NY and additional mailing offices. POSTMASTER: Send all address changes (Fo rm 3579) to Monthly Review Foundation, 122 West 27 Street, New York, NY 10001. EDITORIAL AND BUSINESS: 122 West 27 Street, New York, NY 10001. Telephone: (212) 691-2555. Fax: (212) 727-3676. Email: editorial: mrmag@monthlyre view.org; circulation and subscriptions: mrsub@monthlyreview.org. Unsolicited manuscripts will not b e returned unless accompanied by a stamped, self-addressed envelope. MR is indexed in the PAIS Bulletin, Historical Abstr acts, America: History and Life, Political Science Abstracts, and the Alternative Press Index, P.O.Box 33109, Baltimore, MD 21218, tel.: (410) 243-2471. NEWSSTAND DISTRIBUTION: B. DeBoer, Inc., 113 E. Centre Street, Nutley, NJ 07110; Armadillo & Co., 5795 Washington Blvd., Culver City, CA 90232; Small Changes, 3443 Twelfth Avenue West, Seattle, WA 98119; Centr al Books, 99 Wallis Road, London E9 5LN, England. SUBSCRIPTION PRICE: One year $29, students and senior citizens $24; Foreign $37, students and senior citizens $28. Libraries and Institutions: U.S. $48; Foreign $48. Addit ional postage: First Class (U.S. $15); Airmail: Foreign (inc. Canada) $20.

NOTES FROM THE EDITORS

Recently, we were talking about the environment to a well-known sociologist and got into a fairly heated debate about the ecological effects of capitalism. He insisted that capitalism has nothing to do with it. All human practices, he said, inevitably affect the natural environment and have done so since the dawn of history. This seemed to us a pretty simplistic and ahistorical argument.

No one can deny that in their interactions with nature, in the process of securing the conditions of their own survival and reproduction, human beings never leave the environment untouched and unchanged, and no doubt many human practices throughout history have been ecologically destructive. But it seems self-evident that a system driven by market imperatives and the commodification of all social life will have a historically unique and systematic tendency to wasteful production and ecological degradation.

It's not just that capitalism is uniquely capable of damaging the environment because of its revolutionary development of productive forces. The main point is that capitalism is driven to use those productive forces in wasteful and destructive ways, because it's a necessary condition of capitalist survival that every human value be subordinated to the requirements of profit-maximization, capital accumulation, and "growth" defined as the self-expansion of capital.

(continued on inside back cover)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Global Economic Crisis, Neoliberal Solutions, and the Philippines

by Kim Scipes

The economic crisis that has been affecting the global economy for the last two and a half years started in East Asia. We've heard story after story about the problems in Thailand, South Korea, Indonesia, Malaysia, China, and even Japan—but we've heard almost nothing about the situation in the Philippines. Is there something that the U.S. government, the International Monetary Fund (IMF), and the World Bank don't want us to know about the situation there?

The IMF has acted as the mean cop for the global financial system for a long time, but its role in this crisis has brought it new notoriety. In every case in which it has gotten involved, its prescription has been the same: reduce or end any restrictions on global flow of capital; don't defend the domestic currency by purchasing it with foreign reserves—let it fall until it stabilizes

Kim Scipes, author of *KMU: Building Genuine Trade Unionism in the Philippines, 1980-1984* (Quezon City, Metro Manila: New Day Publishers, 1996; also available from Sulu Arts and Books in San Francisco), is a PhD. student in Sociology at the University of Illinois at Chicago.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in the market; and raise interest rates as high as necessary to keep capital in or attract capital to invest. (These prescriptions benefit multinational corporations and foreign investors, who are largely—but not exclusively—based in the United States.) And do not worry about the social consequences of adopting such an economic program.

In every case, the result has been the same: each economy that has followed IMF prescriptions has seen widespread social dislocation. Hundreds of thousands of jobs have been lost, and standards of living have plunged drastically, even for those who still have jobs. The cost of internationally traded goods and services has increased, due to local currency devaluation against the U.S. dollar (the denomination in which most goods are traded on global markets). Poverty and malnutrition have increased, as have the number of related deaths. However, foreign investors have been able to purchase goods and services, raw materials, and even entire corporations more cheaply since the onset of the crisis than before.

The crisis has spread beyond East Asia. It has hit Russia hard—and a bunch of hedge funds in the so-called developed countries—and its latest major victim has been Brazil. The shock to Brazil has already spread to Argentina. And while it appears that many of the worst economic effects have attenuated in the last few months, the global economy is still being rocked.

The global crisis has also hit the U.S. economy in some sectors, although the impact has been masked overall by strong stock markets, low inflation, and low unemployment rates. Tourism in Hawaii, on which the state is largely dependent, has been devastated; agriculture (particularly corn) and agricultural machinery manufacturing have been hit hard in the Midwest; and so much steel has been dumped in the United States that the United Steel Workers have joined the steel companies in demanding import protection. In addition, the U.S. balance of trade—which measures the difference between exports of goods and services and imports of goods and services—was -118.1 billion dollars between January and June 1999; this exceeds all of 1997 (-104.7 billion dollars—itself

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CURRENT PERIODICALS ROOM
DEC 07 1999
BROOKLYN COLLEGE LIBRARY

a record at the time), and will certainly exceed the 164.3 billion dollar deficit of 1998.

Yet, as bad as all of this has been—the United States and Western Europe have largely been sheltered because of the way their officials have set up the global system—the countries that have garnered the most attention have a considerable amount of industrial development. What about the economies that don't have this industrial development, but are trying to industrialize on the basis of their cheap labor? What has the crisis meant to them?

I want to address the situation of these countries, but instead of perhaps another litany of the horror of the crisis—by the summer of 1998, *Business Week* was already referring to the situation on the ground in Asia as a "depression"—I want to focus on the general solution as proposed by the IMF. To do this, it is necessary to look at the situation in the Philippines.

The Philippines is, in some ways, a special case: while its economic development program has been based on neoliberal principles promoted by the IMF and the World Bank, it did not begin as a response to the recent crisis; the Philippines has been carrying out a neoliberal development program since 1962. An examination of these experiences, therefore, should give some idea of the quality of "advice" being given to economically less-developed countries by the global watchdogs. And while I don't excuse the Philippine elite for their role in this, I want to focus on what a neoliberal program has meant to a country that has been following its prescriptions for the past thirty-seven years.

Philippine Economic Development from Independence to Deregulation, 1946-1962

Like any country that had been colonized, the Philippine social order was organized to benefit people in the colonizing country and not Filipinos. An extractive agricultural economy (sugar, tobacco, hemp, coconuts) and a political system dominated by members of the various regional elites were the product of 381 years of Spanish, and then U.S., colonization.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

When the Philippines was granted "independence" by the United States in 1946, it had been devastated by the Second World War; the United States used this to set up a neocolonial relationship with the now-ruling elites. Economic relief was made dependent on political and economic concessions to U.S. investors, establishment of U.S. military bases across the country, and a currency whose value in relationship to the U.S. dollar could not be changed without the explicit permission of the U.S. President. These impositions, in addition to the extractive economy and corrupt political system, were all "grants" to the newly freed nation.

An economic crisis in the late 1940s, when luxury imports by the elites threatened to bankrupt the country (in addition to a peasant revolt in Central Luzon and a newly emerging radical labor movement), forced the ruling elites to try a new economic program, with U.S. permission. Unwilling to implement a genuine land reform program, the elites tried industrializing as a way of restoring the economy, pacifying the peasants and workers, and maintaining their land-based power. Although I don't want to ignore the repression directed against peasants and workers (or the direct involvement of the CIA), I'm going to limit my focus here to the economic policies implemented.

To implement their new industrialization program, the Philippine government initiated foreign exchange and import controls. The controls provided multiple economic benefits to the state: they limited both general imports (such as consumer goods for the rich) and repatriation of capital outside the country, and allowed the state to select imports to assist the industrialization process and to protect industry established in the country. This import substitution industrialization (ISI) program was a serious effort to industrialize.

While this program did not benefit the majority of the population at the time, it was a success as an industrialization program by 1960. A moderate industrial base had been established: the country had food, wood, pharmaceutical, cement, flour, textile, paint, pulp, paper, glass, chemical, fertilizer, telecommunications, appliance, electronic, plastic, refined

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fuel, intermediate steel, shipbuilding, motor vehicle, machine parts, engineering, and other industries. From 3 percent in 1949, almost 18 percent of the total national income was derived from manufacturing in 1960. And it was largely built by Filipinos: from 1949 to 1961, Filipinos had invested fourteen hundred million *pesos* in new activities, as compared to 425 million by the Chinese (mostly Chinese-Filipinos) and only thirty-one million by U.S. investors. The Philippines was then considered to be the next Japan of Asia.

But this industrial progress came at a cost: the state maintained the *peso* at the incredibly overvalued rate of two *pesos* to the U.S. dollar (established by the U.S. government before "independence,") and this made it increasingly difficult for agricultural exporters to find markets for their products, though it aided the industrialization program. (To make it easier to follow below, one dollar would buy 2 *pesos*, or U.S. one dollar: P2). Since the agricultural elites were funding much of the industrialization program, they were in the driver's seat when they pressed the state to agree to end controls and effectively devalue the *peso*. Ultimately, in 1959, an agreement was made that the foreign exchange and export controls would be ended in 1964, and it was these controls that had kept the *peso* so strong. This five-year interval was intended to make the transition less painful than an immediate termination of controls.

Implementing Deregulation

However, Diosdado Macapagal was elected President of the country, and one of his first acts after assuming the presidency in January 1962 was to terminate all controls immediately. This was supported by U.S. President Kennedy, who arranged for the Philippines to receive an immediate three hundred million dollar loan from the IMF to cover the repatriation of three hundred million dollars of U.S. corporate profits. This was the beginning of the Philippines' debt dependence.

Ending these controls—deregulation in today's terminology, and a major component of the neoliberal program—devastated the Philippine economy. The *peso* began weakening immediately, and was formally devalued from U.S. one dollar:

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

P2.00 to U.S. one dollar: P3.9 in 1965. (A simple example: if you borrowed one million dollars at the old rate, you had to repay it with two million *pesos* before devaluation, and 3.9 million *pesos* at the new rate.) This resulted in the bankruptcy and collapse of many businesses. The balance of payments situation worsened: imports increased 68 percent between 1963 and 1967, while exports only increased seven percent. The foreign debt doubled from 275 million dollars in 1962 to approximately six hundred million dollars in 1965. And the manufacturing share of Gross National Product (GNP) decreased from 17.9 percent in 1962 to 7.1 percent in 1965.

To the Rescue: An Export-Industrialization Strategy

So, by the mid-1960s, the economy that had looked so promising going into the decade was a shambles. Different forces with a belief in neoliberal economics—including Filipino economists like Gerardo Sicat, and the IMF and World Bank—encouraged the government to launch an export-oriented industrialization program to solve the crisis, which was caused by neoliberal deregulation in the first place. Their argument was that by using low Filipino wage rates to attract foreign capital, and then basing manufacturing operations on cheap and controlled labor, the Philippines could export enough manufactured products (such as garments and electronic components) into the world economy to improve its balance of payments and employment opportunities. Consequently, poverty and income inequality would be reduced, ultimately enabling the state to "modernize" Philippine society.

Ferdinand Marcos, who was elected to the presidency as a "reformer" in 1965, decided to begin focusing the economy along such lines. Marcos was able to lay some important groundwork in that direction in the late 1960s but because of substantial opposition—both within Congress and larger society—he was unable to operationalize it at that time.

Martial Law

It was only when Marcos declared martial law on September 21, 1972, that the export-oriented industrialization strategy

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(EOI) could be implemented. Key to the EOI strategy was the establishment of the export processing zone at Mariveles, Bataan. Two months after the implementation of martial law, Marcos issued Presidential Decree 66 (PD 66) to facilitate the development of the Bataan Export Processing Zone (BEPZ), providing incentives specifically for export production. According to Walden Bello, David Kinley, and Elaine Elinson, PD 66 gave firms that exported at least 70 percent of their products "permission for 100 percent foreign ownership; permission to impose a lower minimum wage than in Manila; tax exemption privileges, including tax credits on domestic capital equipment, tax exemptions on imported raw materials and equipment, exemption from the export tax and from municipal and provincial taxes; priority to Central Bank foreign exchange allocations for exports; low rents for land and water; government financing of infrastructure and factory buildings, which could then be rented out or purchased by companies at a low price; and accelerated depreciation of fixed assets." The incentives worked: "By 1980, the Bataan EPZ had attracted 57 enterprises, the great majority foreign owned, employing some 28,000 workers."

By the early 1970s, the World Bank's role in the industrialization strategy had become crucial. While it had provided the Philippines with only 326 million dollars in loans between 1950 and 1972, it gave the Philippines more than 2.6 billion dollars between 1973 and 1981. In addition to the money provided, the Bank legitimized the country's economic plan to international financial institutions. Not coincidentally, the Marcos government decided to follow Bank strategy for development, focusing on "industrializing efforts emphasizing the manufacture of labor-intensive exports with the strong participation of foreign capital," again according to Bello, Kinley, and Elinson.

Export production in BEPZ grew steadily for the first ten years, but then significantly declined throughout the rest of the dictatorship. Researcher Peter Warr presents data that shows huge increases in non-traditional exports: from .4 million dollars in 1972 to 73.1 million dollars in 1978 to 159.6 million dollars in 1982. However, exports from BEPZ de-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

creased after 1982, falling to a low point of 57.6 million dollars in 1986, according to a 1994 report from the International Labor Organization.

But are there other indicators of the EOI program's success or failure? James Boyce provides considerable data that covers the years 1962 to 1986—the period after controls were ended until the end of the Marcos dictatorship. During this period, Philippine external debt grew from 275 million dollars in 1962 to 27.2 billion dollars in 1986. At the end of 1986, the country had a debt-to-GNP ratio of .90, and a debt per capita of 485 dollars.

The impact on wages for urban workers for the period 1962 to 1986 was disastrous. Boyce computed the impact of changes in wages in metropolitan Manila over this period: "In real (1986) U.S. dollars, the daily wage of an unskilled worker fell from $4.37 in 1962 to $1.12 in 1986, while that of a skilled worker fell from $6.18 to $1.72." In other words, daily wage rates for a unskilled worker in 1986 were 74.3 percent less than in 1962, while daily wages rates for a skilled worker in 1986 were 72.2 percent less! In fact, in 1986, the daily wage of an unskilled urban worker was substantially below that of an agricultural worker. Boyce concludes: "wage laborers in Metro Manila experienced a collapse in real wages in the 1970s and 1980s on a magnitude with few precedents in modern economic history."

A key to this deterioration of workers' salaries was the drastic cheapening of the Philippine *peso*. In January 1962, before foreign exchange and import controls were lifted, one U.S. dollar bought two *pesos*; in February 1986, just before Marcos was driven out of the country, one dollar could buy 19 *pesos*. Thus, imported goods—especially oil, which is sold internationally in dollars, and which is used for everything from powering automobiles to transporting rice, the staple food—became much more expensive to Filipino consumers.

There is another indicator that can be used to evaluate Philippine development: GNP per capita, one of the World Bank's favorite comparative statistics. In 1962, the Philippines GNP per capita (measured in 1986 U.S. dollars) was 495 dollars, and the only country with a higher GNP per capita in Southeast Asia that year was Malaysia (820 dollars). By 1986,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Philippine GNP per capita was 540 dollars—barely above Indonesia (490 dollars), and falling increasingly behind the other economically significant countries in the region. The gap in GNP per capita between the Philippines and Japan had widened from 1510 dollars in 1962 to 15,660 dollars in 1986. In fact, between 1962 and 1986, the annual average growth rate of Philippine GNP (of 3.1 percent) and the GNP per capita (.4 percent) were each behind those of China, Indonesia, Japan, South Korea, Malaysia, Singapore, Taiwan, and Thailand.

To give one more specific example: South Korea had a GNP per capita of 330 dollars in 1962, which was 165 dollars per person *behind* the Philippines; by 1986, South Korea had a GNP per capita of 2345 dollars, or 1805 dollars per person *ahead* of the Philippines! The neoliberal program of the Philippines compared poorly to state-led industrial development of South Korea (and both countries were ruled by dictators over most of this period).

Post-Marcos

But what has happened since the overthrow of the dictator? Marcos' successors—Corazon Aquino (1986-1992), Fidel Ramos (1992-1998), and Joseph Estrada (1998-2004)—have continued to follow an EOI strategy. Aquino committed her government to repaying all foreign debts, including the ones that only benefited Marcos and/or his "cronies," and Ramos and Estrada have followed suit.

One Filipino researcher, Pedro Salgado, put the debt into perspective early in Aquino's administration. He pointed out that the 28.2 billion dollar debt in 1987 was equal to about P564 billion, 4.4 times the national budget (or 81 percent of the projected GNP for the entire year). He then goes on to say, "If a person were to drop a P100 bill into a pit every second, it will take 179 years to drop P564 billion worth of bills into the pit!"

Researchers have detailed how recent presidents have gone along with the World Bank and the IMF machinations in exchange for loans. This was true under Marcos, and it has remained true since. Why? I think Temario Rivera is correct when he suggests that there is a larger reason: the ability to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

obtain foreign loans, no matter how bad for the country, allows political "leaders" to ignore the key issue in the country—political power based on land ownership. And, courtesy of the World Bank and the IMF, foreign loans have been available. Philippine national debt (which was 275 million dollars in 1962 and was approximately 27.2 billion dollars in 1986), was 35.5 billion dollars in 1993, and 45.5 billion dollars in 1997, according to data from the Central Bank of the Philippines.

At the same time, the shift from traditional agricultural exports to nontraditional, labor-intensive manufacturing exports, particularly in garments and electronics, has continued. By the early 1990s, over 70 percent of total exports were in these nontraditional manufacturers. However, despite this shift (supposedly the key to Philippine economic development), the balance of trade worsened between 1987 and 1996. The trade balance in goods was -1.017 billion dollars in 1987, -8.160 billion dollars in November 1995, and -11.342 billion dollars at the end of 1996. Note that these figures are all from before the crisis.

The GNP of the country has generally grown, albeit unevenly: it grew 5.9 percent in 1987, 6.6 percent in 1988, 5.7 percent in 1989, and 3.0 percent in 1990. It declined .05 percent in 1991. The GNP increased 1.56 percent in 1992, 2.02 percent in 1993, 5.1 percent in 1994, 5.7 percent in 1995, 5.8 percent in 1996, and 5.2 percent in 1997.

The neoliberal economic program has made things worse for the large majority of Filipinos. By November 1992, while evaluating President Ramos' first one hundred days in office, IBON Databank, a Non-Governmental Organization (NGO) that focuses on the economy, estimated that the number of Filipinos living under the Filipino poverty line had increased from 70 percent to 75 percent, and noted that a *peso* in 1992 "could only buy 60 centavos of what it could have bought in 1988." The numbers in poverty are likely to have been somewhat reduced between 1994 and 1997, when the GNP of the country grew over 5 percent each year.

Roger Daenekindt, using Department of Labor and Employment figures from September 1995, reported that 62 percent of the 29.2-million-member labor force was either unem-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ployed or underemployed. Furthermore, only 10 percent of the labor force received at least the minimum wage, but even this was insufficient, as the minimum wage itself resulted in income below the poverty line. In 1994, according to the government, the daily cost of living was P237.57 (approximately 9.50 U.S. dollars), while the mandated daily minimum wage was only P145 (approximately 5.80 U.S. dollars). Additionally, while nominal wages increased by more than two hundred percent between 1983 and 1993, real wages for all workers (based on 1978 prices) actually decreased by 14 percent, and despite nominal wages increasing 32 percent between 1990 and 1993, real wages fell 4 percent.

Daenekindt further noted definite changes in the workplace, toward a more flexible labor regime. And "flexibility" of the labor market means that workers have even fewer chances for regular employment, as workers are forced to compete at an even greater rate than before for the relatively small number of available jobs. This also makes it much more difficult to organize and maintain unions, which means that workers will have even less power in workplaces where they do obtain employment, and that their working conditions will get worse. And that is for those lucky enough to have regular jobs!

At the same time that the economy is not providing a sufficient number of jobs for people, and their wages are already horribly insufficient, inflation is eating at the value of the money they do earn. As mentioned above, the real value of wages for urban workers decreased by about 75 percent between 1962 and 1986. But between 1988 and 1994, the purchasing power of the *peso* declined another 49 percent. The inflation rate was 7.6 percent in 1993, and 9.0 percent in 1994.

But the Philippine State has never failed to keep coming up with grand plans designed to solve all of the country's problems in one fell swoop: the latest, initiated under President Fidel Ramos, was "Philippines 2000." Key to Ramos' vision was the Medium Term Development Plan for 1993 to 1998. Ramos stated his goals for the end of his presidency in June 1998: to raise per capita income to 1000 U.S. dollars; for the economy

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to grow by at least 6 to 8 percent, and for the poverty rate to decline to at least 50 percent. He missed all three.

Ramos' larger goal was to make the Philippines a Newly Industrializing Country (NIC) by the year 2000. And was this to be accomplished? In January 1995, at President Ramos' urging, the Philippines joined the World Trade Organization (WTO), which meant it had to open its borders to even more international trade. Roger Daenekindt commented: "We are ... told to be outward-looking and accept liberalization. But ... in the case of textile and garments, we enter in a stiff world of competition of cheap labor. Chinese labor is at 25 cents an hour, Vietnamese at 15 cents an hour, Philippines [at] 90 cents an hour, and there are still the countries like India, Bangladesh, Pakistan, etc." Additionally, according to former president Ramos, "Export orientation shall 'enlarge the pie.'"

And then the global economic crisis hit.

Crisis

The Philippines was hit by the global crisis, becoming one of the Asian Development Bank's "Crisis-Affected Countries." Philippine GDP, which grew 5.2 percent in 1997, fell 0.5 percent in 1998, according to the IMF. The *peso*, which had been trading at approximately U.S. 1.00 dollar: P25 throughout most of the 1990s, lost over 40 percent of its value, falling to a rate of 1.00 dollar: P45, although by the spring of 1999, had recovered somewhat to trade around 1.00 dollar: P40.

IBON Databank reports that official unemployment jumped from 10.4 percent in April 1997 to 13.3 percent in April 1998—and yet these figures severely undercount real unemployment and don't mention underemployment. However, a 1995 government report from the Department of Labor and Employment said that unemployment and underemployment affected 62 percent of the workforce, and this was when the economy was growing strongly. But IBON also reports that there was 128 percent increase in firms closing between January and May 1998, as compared to a year earlier, and an 88 percent increase in the number of workers being affected by these difficulties.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

And yet, the Philippines has been hurt much less than Indonesia, Malaysia, South Korea, or Thailand. Stanley Fischer, first Deputy Director of the IMF, claimed in a June 1999 speech that, of the countries at the heart of the crisis, "the Philippines' economy performed exceptionally." He suggested that this was because the country was in an IMF program at the beginning of the crisis, and that the IMF increased financing for the country once trouble hit, enabling it to avoid the worst of the crisis.

However, if we consider that the country has been in a crisis since it began following a neoliberal program in 1962, it's clear that the global crisis has, for the Philippines, been simply a continuation of "business as usual." Since 1962, the Philippines has never achieved the advances won by these other countries, and so it was spared the intensity of the drastic fall that the others suffered. And yet, it still suffered more than a 40 percent fall in its currency exchange rates.

But while Fischer suggests that Philippine performance was not as bad as the rest because of IMF advice and money, he inadvertently let the cat out of the bag, especially in light of the overall performance of the U.S. economy during this time: "The country benefited from the composition of its trade, which is more heavily weighted towards the United States than of the more severely affected countries." The Philippines has done as well as it has not because of the IMF, but because its major trading partner has kept the door open to its further-devalued products despite a drastic reduction in the Philippine market for U.S. exports.

No Real Solution

An EOI program was begun in the late 1960s, designed to save a financial deregulation program that had devastated the economy. The EOI strategy was operationalized in 1972 after the declaration of martial law by Ferdinand Marcos; it continues today.

Because billions of dollars of economic and military aid have been provided to the Philippines by the U.S. government, the World Bank, the IMF, and commercial banks from around the world, the agrarian system and its accompanying political

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

system has survived. In return, the Philippines has had its industry incorporated into global capitalist political-economic networks.

The neoliberal program has been a failure on its own terms, even before the onset of the global economic crisis. The *peso*'s value fell from 1.00 dollar: P2 in 1962 to approximately 1.00 dollar: P25 in the mid-1990s. Although exports shifted from traditional ones to nontraditional manufacturers, the balance of trade had deteriorated to -11.3 billion dollars at the end of 1996. GNP has generally increased, albeit very erratically. However, foreign debt has exploded: from a national debt of 275 million dollars in 1962, it ballooned to 45.5 billion dollars in 1997. In short, this program has failed to provide any type of sustainable economic development for the country.

The cost to the people of the Philippines has been astronomical. Fourteen years of dictatorship was only the beginning. Neoliberalism has led to a social situation where approximately 75 percent of the population lived below the poverty line in the early 1990s and, while somewhat reduced since then, it is not known by how much. Urban workers had lost almost 75 percent of their 1962 wages by 1986, and things have only gotten worse since then. Conditions among the peasantry and agricultural workers have also deteriorated, to the extent that they have joined and maintained a revolutionary army for over thirty years (albeit considerably weakened since 1986—and particularly since 1993—by internal problems). Accordingly, this type of development, when viewed from the perspective of the large majority of the population, deserves to be called "detrimental development."

It is within this larger context of detrimental development—maintained at all times by armed force and a determination to use it to defeat any challenges—that Philippine economic development since 1962 has been evaluated.

A neoliberal approach to development, as advocated by the World Bank and the IMF, has only benefited the global capitalist political-economic networks (including certain Filipino partners), and the Philippine state; and these benefits all come at the direct cost of the large majority of Filipinos. This program has failed on its own terms and been a social disaster as well.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

APEC At Auckland

by Jim Delahunty

Asia Pacific Economic Cooperation (APEC) is the name for a series of meetings that has taken place in various Asian and Pacific capitals since 1989. For September of this year, the venue was Auckland, a city of a million people in the North Island of New Zealand. According to Joan Spero, U.S. Undersecretary for Economic Affairs, "APEC is about business not about governments;" however, the role of governments has been crucial. In the past, laws and regulations used to protect economies had to be revoked by governments, if untrammelled entry of trade and investment was to take place. And getting rid of barriers erected by governments is what APEC is all about. It is part of the attack—by the World Trade Organization (WTO), the General Agreement on Tariffs and Trade (GATT), the World Bank, and the International Monetary Fund (IMF)—on those economies that try to maintain some degree of autonomy in the face of capital's demand for open entry everywhere. Governments also make their contribution by paying for the events; this one cost New Zealand taxpayers sixty million dollars. No doubt New Zealand Prime Minister Jenny

Jim Delahunty lives in Wellington, New Zealand.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Shipley hoped that there would be a good return, not only for New Zealand capital, but also for the prospects of her conservative, National-led government in the general election taking place this November. Being seen with the great and infamous could be a vote-winner. Local tourist interests also hoped that the presence of presidents, prime ministers and their entourages, and international media would put the assets of this somewhat distant country on the tourist agenda, and encourage (if further encouragement was needed) overseas buyers, speculators, and takeover specialists to continue the process of devouring the New Zealand economy and New Zealand assets, as they have done since 1985. So APEC was about business, even if governments picked up the bill and state leaders provided the public faces. The New Zealand economy should be given credit as a leader in the race to dismantle the walls of its chicken coop at the request of the foxes.

Little Glitches

The desire to make this a profitable and publicity-rich event was not fulfilled, even in the beginning. The technology of U.S. secret service agents, who arrived to monitor the event and protect the President, was somewhat fallible. A week before the President arrived, Saji Phillips, a chicken farmer from South Auckland, found his fax machine loaded with messages from the U.S. APEC Support Office. They informed him about security arrangements, such as the installation of White House communications equipment at Auckland airport and the code name and security number of a military officer. Phillips rang the Support Office and told them about the error, but still received messages for many days, finally going to the press to try to get some relief from faxes that weren't about chickens. Then there was the APEC-related trade fair, which flopped. The few overseas exhibitors bitterly complained of the failure of the New Zealand government to put money into the project, which fell down under the weight of the ongoing stagnation in business circles in this part of the globe. And then there was the failure of an APEC-sponsored trade union conference that was scheduled for three weeks

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

before the main meeting. Entitled "Anticipating APEC," this gathering was supported by the right-wing union federation, the New Zealand Council of Trade Unions, and the right-wing Public Service Association, both of which have made cooperation with employers the central feature of their policies. Keynote speakers were to come from the World Bank and the International Labor Organization. Unfortunately, only fifteen people enrolled and the conference, claimed by organizers to be "one of the important events of APEC," was quietly abandoned. Outside the main events, there were continual frustrations for visitors. Some U.S. citizens in town complained that they could not see President Clinton through the tinted glass of his automobile, and others who had come to bury rather than to praise were vexed at the New Zealand Police's removal of their banners, which read "Clinton—Sex Offender." The greatest disruption to cozy trade talks was East Timor. The vicious attacks by Indonesian-backed militias hit world headlines a few days before the APEC opening. New Zealand premier Shipley and foreign minister McKinnon continued the twenty-four-year policy of appeasing Indonesia, and both rejected proposals such as cutting off military assistance to Indonesia or even allowing the Timorese situation to be placed on the APEC agenda. This attitude changed in a matter of hours, not so much because of guilt at New Zealand's past inaction, nor because of the slaughter of civilians, but because President Clinton indicated he was prepared to discipline the Indonesian government and to approve peacekeepers whether Indonesia asked for them or not. True to its policy of following the United States—right or wrong—in international affairs, the Shipley government changed its tune almost immediately. The APEC show had to give some space to the realities of East Timor. In a day or two, Shipley began to speak as though the use of New Zealand and Australian troops as part of a multinational peacekeeping force had been her own idea. Only people with acute attacks of amnesia would have been fooled.

The Real Business

The distinguished visitors then got down to two days of discussion on papers already prepared by several meetings of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

officials and trade ministers earlier in the year. Nothing much of the detailed discussion was made known. Handouts to the media gave the official stories and what was done appeared in the final communiqué. This long, wordy document did not indicate that anything was to be done on trade, nor that any national practices were to be altered. This would have been disappointing to New Zealand sheep farmers who, just before APEC, were hit by severe tariffs on lamb exported from New Zealand and Australia (imposed by the United States). One story from the meeting of Chief Executive Officers was revealing. The *Sunday Star* reported that this meeting of 250 Chief Executives from leading companies in the Asia-Pacific region was a "lacklustre affair." After an address by William Daley, U.S. Secretary of Commerce, the audience was invited to ask questions. "An embarrassing silence followed," said the *Star*, "when no one took up the invitation." A similar silence followed the speech by Japan's Minister of International Trade. Prime Minister Shipley tried to rally the ranks of silent business executives. "Don't hang back. Give us your best advice, give us your best shot, so that together we can develop a community of Asia Pacific nations bound together by success and prosperity."

The final communiqué was about as inspiring. After ten years of APEC talks, the governments were still being asked to respond better. Prime Minister Shipley's summary called for the action plans of member countries to be "more specific, transparent and comprehensive." Ministers of Trade were called upon to "intensify efforts to eliminate associated non-tariff impediments to trade." In plain words, agreement "in principle" had so far brought little action for many APEC countries. The most positive gain that could be claimed was agreement on the freeing-up of trade in principle, and a common approach on this at the meeting of the WTO in November of this year in Seattle. This was no more than was stated by many of the participating countries at WTO meetings and GATT discussions over the past several years. Nothing much moved at Auckland APEC. The picture was of a collection of suspicious governments, pressured by the contradictory aims of their own capital formations and hesitant about

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

any real commitments that might damage their sectional interests. The final communiqué highlighted one source of alarm to the governments attending—the "communication gap" between these governments and their peoples on the issue of APEC and its aims. Conference documents supplied by advertising consultants told leaders, "The gains from trade and investment liberalisation are not well understood in APEC communities .... Information must be made relevant to people if they are to accept and take advantage of the changes brought about by liberalisation." The message, they said, "must be pitched at both rational and emotional levels." The leaders seemed to accept that while they might have qualified enthusiasm, large sectors of their own populations were opposed to or ignorant of the great benefits free trade and investment would bring to them. This in itself showed that APEC was working from bureaucratic decisions rather than popular demand. "We challenge the world to move to free trade," said Shipley in her closing remarks. "And we challenge ourselves as Leaders to bring our people with us to broaden support for the work of APEC." Such a long time talking, and so little to show for it.

The Alternative Conference

While this was happening, an alternative conference was being held at Auckland University. At all previous APEC meetings, there had been a gathering of group representatives and individuals who were opposed to APEC and similar international institutions, which were trying to aid capital to extend its field of activity and break down national barriers and protections. This year's alternative conference was attended by just over one hundred people, most of them from New Zealand. An important aspect was the representation from the Philippines, Hong Kong, Bougainville, Japan, Korea, Canada and the United States. The conference was given a wide perspective on the various ways that people in the region have been subject to exploitation. The New Zealand representatives came from groups that had been active in opposing APEC-style policies in the country—Maori groups, the Trade Union Con-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

gress, the Campaign Against Foreign Control in Aotearoa (the Maori name for New Zealand), the APEC Monitoring Group, and student organizations. Some of the individuals present had a long history of action against racial discrimination, local and state asset privatization, and the attacks on trade union rights. A leading speaker was Professor Jane Kelsey of Auckland University, author of several books on the economic and social attacks on New Zealand's people (including *Rolling Back the State* and *The New Zealand Experiment*). The strong group of Maori activists reminded the conference that they had been suffering from the invasion of capital for the past 150 years. The form has changed but the results are very similar. The conference heard about U.S. domination of the Philippines, the negative effects of the North American Free Trade Agreement (NAFTA) on Canada and Mexico (and possibly the whole of the Americas in the near future), the exploitation of Bougainville (where a foreign company, in the process of mining copper, made the largest hole in the southern hemisphere), the plight of migrant workers, Mexican workers, New Zealand unions, Korean workers—all these stories added up to a picture of a region in trouble as a result of APEC-type policies, which certainly do not deliver the benefits so often promised in APEC handouts. The second day of the alternative conference was notable for the spirit of optimism and the determination to continue the fight against APEC and similar groupings of capital, and to seek economies that respond to the needs of people, not the needs of capital. The discussion throughout the two days was friendly and responsive—somewhat different from the meeting of the silent Chief Executives at APEC. One very important fact for New Zealanders was the unity of activists, whether Maori or non-Maori, against the APEC agenda. In the past, progressive Pakeha (non-Maori) often dismissed the claims of Maori people, who wanted not only improvement in their own lives but the return of a sovereignty that would give them the means to run their own lives. Pakeha often saw the trade union struggle or conventional political activities as the main means Maori should employ to improve their conditions. The last fifteen years have

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

taught progressive Pakeha that the struggles based on parliament and the worker-boss relationship left out the important issue of power—capital's or the people's. In his closing address, Robert Reid, from the New Zealand Trade Union Federation, summed up in this way: "The APEC Monitoring Group can be justifiably proud of its work over the last five years. Ever since we 'discovered' APEC in 1992 and then learned in 1995 that New Zealand would host APEC in 1999, we have been working hard to educate the New Zealand public to the danger of APEC and 'free' trade and investment. This year we produced tens of thousands of leaflets and fact sheets, we organised six anti-APEC meetings to counter the six official APEC meetings, we organised pickets and protests. This climaxed at Auckland when over 400 people attended our anti-APEC public meeting. This Conference saw APEC as a new form of the colonialism that this country and its indigenous people have been suffering for 200 years. We identified the struggle against APEC as a continuation of the struggle against colonialism. Within the anti-colonial struggle we committed ourselves to building alternatives to the pro-corporate, anti-people agenda of APEC and the WTO."

The Education of New Zealand

Events since 1984, when a Labour government took office, have resulted in a decided change in New Zealand society and the position of working people. The remedies imposed by two Labour governments and followed by two National (conservative) governments have gained the approval of monetarists the world over but they have made the situation of most New Zealanders worse. These remedies have a direct relevance to APEC and its philosophy. Since 1985, the New Zealand government has given open access to most overseas takeovers and investment, sold off the majority of state enterprises, sponsored the sale of local authority assets, run down the public health system (leading to the growth of private health services), introduced a massive amount of user pay into the schools and universities, cut back on unemployment benefits, and attacked trade unions' rights to organize, bargain, and strike.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Though a majority of people have fears about one or more of these developments, the constant media effort (from a media owned largely by overseas owners like Rupert Murdoch) has prevented many people from drawing general conclusions about the attack by capital on public property and public facilities (like health and education), and the decimation of trade unions. APEC-style policy has had widespread effects. A brief comparison of the situation before the Labour government of 1984 and the present shows the following changes: unemployment is up from 106,000 in 1983 to 220,000 this year; lower and middle incomes have fallen in purchasing power while the top 20 percent have risen; total national debt has increased from sixteen billion dollars in 1984 to 102 billion dollars this year; the annual balance of payments deficit has increased from 3358 million dollars in 1985 to 6374 million dollars in 1999, mainly because of income going to overseas owners; cuts in finances for public hospitals have cut services and driven surgical waiting lists from forty thousand in 1983 to ninety-one thousand in 1997, when the government instructed hospital to abolish the waiting list system; student debt to the government, due to user-pay education, was nonexistent in the 1980s, and is now 3.8 billion dollars; foreign ownership of shares in New Zealand-listed companies has increased from 19 percent in 1985 to 60 percent in 1999; foreign investors gamble with thirteen billion dollars in currency and derivatives every day—this is far and away the largest daily financial movement in the economy.

Transformation and Beyond

Fifteen years of the open-door policies advocated by APEC have transformed a capitalist economy with some autonomy and a state with reasonable health education and welfare provisions into a country on a downward slope. This is reflected not only in ownership of the economy or the drop in health, education, and living standards, but in the stagnation of the local economy as well, which has seen producers for the local market facing low profit margins for the last several years. Despite optimistic statements in the media about the "up-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

turn," it never seems to arrive. Economic growth is negative once again. Since worldwide capital appears to be in the same stagnation, some Marxists here wonder if the long-term tendency of the rate of profit to fall is indeed with us permanently. That possibility aside, there is some interesting significance in our small and therefore transparent situation. Many establishment speakers have stated that what has happened is simply the real world in action and what has been done is irreversible. So it may be under the rules of capitalism and its laws of property. Does this mean that the reversal of the things that bind us can only be through the overthrow of the system? The logic of capitalism in its terminal state may make that a necessity for a new order.

Meanwhile, as a small dependent economy, New Zealand can hardly dictate the course of international events. At best, it puts up with the booms and busts and the current long-term stagnation of the total system as well as it can. The cultivated naïveté of the public has so far prevented anything but sporadic responses to particular issues. Some sectors of the voting public turn to populist saviors among the political parties, offering themselves under the proportional representation voting system. They get little in return. For the future, people at the alternative APEC conference will continue the struggle both to enlighten their fellow citizens and fight what capital is trying to do. But, as things are, it seems it will take some more long, hard lessons before the majority of New Zealanders fully realize what has hit them. The public indifference to and suspicion of APEC is thus a heartening sign for the activists who struggle for an alternative.

We regret that the numbered citations for the notes to Robin D.G. Kelley's "A Poetics of Anticolonialism" in the November issue did not appear within the body of his text. For these references, please contact Vicki Larson at the MR office, or look for the essay in the forthcoming edition of Aime Césaire's Discourse on Colonialism, *due out from Monthly Review Press in January 2000.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Competition and Class: A Reply to Foster and McNally

by Robert Brenner

The postwar economy is widely understood to have gone through two major phases. During the long boom between the end of the 1940s and the early 1970s, most of the advanced capitalist economies (outside the United States and the United Kingdom) experienced record-breaking rates of investment, output, productivity, and wage growth, along with low unemployment and only brief, mild recessions. But during the long downturn that followed, the growth of investment fell significantly, resulting in much-reduced productivity growth, sharply slowed wage growth (if not absolute decline), depression-level unemployment (outside the United States), and a succession of serious recessions and financial crises. My goal in *The Economics of Global Turbulence* was to explain why the long

Robert Brenner teaches history at UCLA, where he is director of the Center for Social Theory and Comparative History. He is an editor of *Against the Current* and author of essays in *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-Industrial Europe*, eds. T.H. Aston and C.H.E. Philpin (Cambridge: 1985); *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders* (Princeton: 1993); and *The Economics of Global Turbulence* (Verso: forthcoming in 2000).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

boom gave way to a long downturn, to reveal why stagnation has persisted on an international scale for such an exceedingly long period, and finally to demonstrate how the failure to resolve the problems underlying the long downturn opened the way to the world economic crisis of 1997-1998. I therefore saw it as my central task to explain why the rate of profit, especially in manufacturing, not only fell sharply between 1965 and 1973, but also failed for so long to recover, and not just in the U.S. economy, but in the advanced capitalist economies taken in aggregate. For it seemed clear to me that the fall, and failure of recovery, of profitability on an international scale lay behind that extended slowdown of system-wide capital accumulation at the source of the long downturn.

What Was Behind the Fall in the Rate of Profit and its Failure to Recover?

In seeking to explain the fall in the rate of profit, my point of departure is the anarchy of capitalist production and, in particular, the competitive pressure on capitalist enterprises to cut costs as the condition for their very survival. The resulting tendencies toward the accumulation of capital and toward innovation are, of course, at the root of capitalism's historically unprecedented capacity for developing the productive forces. But, occurring as they do in an unplanned, competitive manner, they are also, I argue, at the source of capitalism's tendencies to periodic crisis and stagnation. This is because individual capitalists have no interest in, and are in any case incapable of, taking account of the aggregate effect of their actions, specifically the destructive impact of their cost-cutting on already existing capitals and on the ability of those capitals to yield profits. Intractable problems thus tend to arise when capitalists cut costs, because they often render obsolete the fixed capital that their rivals introduced earlier, thereby preventing those owners from realizing the expected, and necessary, rate of profit. Plant and equipment that initially represent the most up-to-date (socially necessary) technique, but which need to be operated for an extended period to recover their cost and provide sufficient returns, are thus rendered insuffi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ciently profitable in the face of the new, lower prices that have resulted from the premature introduction of new, even more productive fixed capital.

More specifically (and combining, for the sake of brevity, the conceptual and historical aspects of my argument), I try to demonstrate that the key to the fall in the rate of profit, and to its long-term failure to recover, was the emergence, and persistence, of overcapacity and overproduction *on a system-wide scale,* especially in manufacturing, beginning in the mid-1960s. Overcapacity and overproduction, I contend, emerged out of a process of uneven development, marked by the interaction between the fast-growing, later-developing economies of Japan, Europe, and (later) East Asia, and the slow-growing, earlier-developing economies of the United States and the United Kingdom, which I see as a central determinant of *both* the long boom and the long downturn. The Japanese, West German, and other later-developing industrial economies were thus able to grow rapidly during the boom by virtue of their ability to exploit the advantages of being followers technologically, backward socioeconomically, and hegemonized militarily and financially by the United States. They adopted cheap but advanced U.S. technology in order to catch up. After repressing or containing militant worker uprisings in the years immediately following the Second World War, they took advantage of huge pools of unemployed workers in their still relatively backward rural sectors so as to keep wage growth relatively low compared to productivity growth. They avoided the heavy unproductive military expenditures undertaken by the United States. And they emphasized domestic manufacturing, supported by their banks and governments, rather than the internationalization of their economies via the overseas expansion of their multinational corporations and banks.

During the first part of the postwar epoch, the German and Japanese economies in particular functioned as hubs of great regional economies in Europe and East Asia. They used their much lower labor costs; their advanced economic institutions for regulating intra-manufacturing, finance-manufacturing, and capital-labor relations; their undervalued exchange rates;

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and their protectionism to thrive at the expense of the high wage, free-trade oriented, and internationally directed U.S. (and U.K.) economies. U.S. authorities freely acquiesced in this pattern of international economic evolution, because it enabled them not only to insure the creation of markets for their initially overwhelmingly dominant domestically-based manufacturers, but also to pave the way for the large-scale penetration of the European economies through the direct investment of their great multinational corporations, while carrying out one of the most intense waves of military-imperial expansion the world had ever seen. In fact, U.S. producers long suffered relatively little damage from intensifying international competition, because they had begun with such an enormous technological lead and were long able to dominate the huge U.S. domestic market, even while ceding huge chunks of their overseas markets to producers abroad. U.S. multinationals were able partially to compensate for declining export shares by using the overvalued dollar to buy up assets on the cheap throughout the world.

Nevertheless, uneven development through the growth of the world division of labor did not long remain only favorable in its effects. Between 1965 and 1973, manufacturers based especially in Japan, but also in Germany and in other parts of Western Europe, combined relatively advanced techniques and relatively low wages to reduce relative costs sharply *vis à vis* those in the United States. On this basis, they dramatically seized increased shares of the world market and imposed on that market their relatively low prices, while succeeding, by virtue of their relatively reduced costs, in maintaining their old rates of profit. Their U.S. competitors found themselves facing slower growing prices for their output, but caught with inflexible costs as a result of their being stuck with fixed capital comprised of suddenly outmoded technology. Those that could no longer make the old, or average, rate of profit even on their circulating capital alone, i.e., on the new investments for labor, raw materials, and intermediate goods that were needed to operate their fixed capital (plant and equipment), had to shed productive capacity. Others, in order to hold on

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to their markets, had little choice but to accept significantly reduced rates of profit on their fixed capital, since they could not raise prices above costs as much as they had previously.

As a consequence of the unanticipated irruption of lower-priced Japanese and German goods into the market, U.S. manufacturing producers were unable to realize the old, established rate of return on their placements of fixed capital because demand outran supply in their lines. System-wide overcapacity and overproduction, which manifested itself in a declining system-wide rate of return on capital stock in manufacturing, was the result. Between 1965 and 1973, the U.S. manufacturing sector sustained a fall in the rate of profit on its capital stock of over 40 percent. Simultaneously, the profit rates of the leading European and Japanese manufacturing economies taken in aggregate were roughly able to maintain themselves (at least up to about 1969-1970). The upshot was that, in the same years, the profit rate of the manufacturing sectors of the G7 economies taken in aggregate (a surrogate for international manufacturing as a whole) fell by about 25 percent.

The Japanese, German, and other European economies did not remain immune from the aggregate decline in profitability. Enormous U.S. balance of payments deficits (and Japanese and German balance of payments surpluses) emerged as the natural concomitants of declining U.S. competitiveness and profitability in the later 1960s and early 1970s and propelled the world monetary system into crisis. Between 1971 and 1973, the Bretton Woods system of fixed exchange rates had to be jettisoned and the U.S. dollar sharply devalued, while the *mark* and *yen* were correspondingly revalued. Japanese and German manufacturers were burdened with sharply rising relative costs compared with those of their U.S. rivals and obliged to shoulder a much greater share of the fall in aggregate profitability that had struck the G7 manufacturing economies. But it was evidence of the degree to which overcapacity and overproduction had by this point gripped world manufacturing that U.S. producers, though benefiting from the dollar's fall, were unable to come close to restoring their boom-time profit rates.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Still, it is one thing to account in this manner for the initial fall in profitability. It is quite another to explain why there was no recovery for so long. In particular, why didn't firms suffering from falling profitability in their lines shift means of production into other, higher profit lines in order to alleviate overcapacity and overproduction? I believe that there are basically three answers to this question.

First, the great corporations of the United States, Germany, and Japan that dominated world manufacturing had better prospects for maintaining and improving their profitability by seeking to improve competitiveness in their own industries than by reallocating means of production into other lines. They possessed great amounts of sunk capital, already paid for, that they could use "free of charge." As a result, at least for a time, they could generally make higher rates of profit on their new investments in circulating capital (labor, raw materials, semi-finished goods) in their own industries than they could on investments in other industries. Though they suffered reduced rates of profit on their total capital, it nonetheless made sense for them to stay put.

Moreover, these corporations maintained long-established relationships with suppliers and customers that could not easily, or without great cost, be duplicated in other lines. Perhaps most importantly, over a long period they had developed hard-won specialized knowledge of production they could apply only to their own industries. During the 1970s and after, U.S., German, and Japanese corporations found it more promising to fight than to switch, and did not generally relinquish their positions unless forced. With help from supportive governments and/or sympathetic bank financiers, they sought to transform and improve production to compete better. As a result, there was insufficient exit.

Secondly, despite the reduced profitability in world manufacturing lines, the process of uneven development continued. Emergent low-cost producers, based especially in East Asia, found it profitable to enter many of those lines, just as their predecessors from Japan had once done in analogous

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

circumstances. There was too much entry, further exacerbating overcapacity and overproduction.

Thirdly, Keynesian policies, which became almost universal in the 1970s, actually contributed to the perpetuation of overcapacity and overproduction, helping to prevent a decisive recovery of profitability and, in turn, of capital accumulation. Increased demand, deficit spending, and easy credit allowed many high-cost, low-profit firms that would otherwise have gone bankrupt to continue in business and maintain positions that might have been occupied by lower cost, higher-profit producers. But, given their low surpluses, such weakened firms could hardly undertake much capital investment or expansion. Instead, in response to an increase in aggregate demand resulting from Keynesian policies, they were able to bring about a smaller increase in supply than in the past, so that the ever-increasing public deficits of the 1970s brought about not so much increases in output as accelerated rises in prices. Keynesianism was thus unquestionably necessary to keep the world economy turning over. But, it increased inflation and, precisely by preventing the harsh medicine of depression that had historically cleared the way for new upturns, it reduced over the long run the potential dynamism of the system.

It was only with the Clinton administration that the world economy was able finally to break decisively with Keynesianism. Volcker, Carter, and Reagan had, of course, introduced a vicious experiment in monetarist austerity at the start of the 1980s. But sharply restricted credit had threatened to precipitate a crash and had to be counterbalanced by military Keynesian deficits. Nevertheless, the government's accumulation of record debt, in the face of the Federal Reserve's tight-money regime, brought record-high real interest rates, which offset the gains in profitability that were being secured through the major shakeout of high-cost/low-profit firms taking place over the course of the 1980s and beyond. Faced with a revolt from Wall Street if he sought further deficits, Clinton probably had little choice but to turn to budget balancing. Since Europe had already moved in this direction in preparation for monetary

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

unity, fully-fledged monetary *and* fiscal austerity finally came to dominate the world economy in the 1990s.

The almost universal macro-economic tightening has brought the accumulated contradictions of the previous two decades to the forefront. It has reduced the growth of domestic demand throughout the world economy, forcing producers everywhere to step up their orientation to exports sharply. A further intensification of international competition has thus been unavoidable, paving the way for a serious exacerbation of already existing international overcapacity and overproduction in manufacturing and for deeper stagnation and heightened instability throughout the decade.

In this context, the U.S. economy managed to expand—though far less dynamically than indicated by propaganda—and to secure a major revival of profitability, especially in the still critically important manufacturing sector. But U.S. manufacturing accomplished its recovery of profitability in large part through a revival of competitiveness, which was itself secured not only by the continuing shake-out of redundant, high-cost means of production in manufacturing lines, but also on the basis of a steep fall of the dollar against the *yen* and *mark* and a decade long freeze on real wage growth. The U.S. economy's increased dynamism was thus accomplished, to an important degree, at the cost of extensive recession, in large parts of the world economy over much of the decade, notably the suddenly much less competitive, export-oriented manufacturing economies of Japan and Germany. In this context, independent money managers sought to increase returns in a world that was short on profitable real investment opportunities but overflowing with liquidity (which had arisen from the Fed's rescue of the economy's over-extended corporations and banks during the 1990-1991 recession). They sent masses of short-term money to East Asia, the only center of truly dynamic growth in the 1990s, overheating these economies. This worsened the underlying problem of manufacturing overcapacity and overproduction and set the stage for the international economic crisis of 1997-1998.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Alan Greenspan's dramatic three-phase lowering of interest rates in autumn 1998 cut short the deepening world crisis by signaling to the equity markets that the U.S. Fed would stand behind the value of their stocks. The major boom (beginning in 1996 or so) that was thus perpetuated has been largely driven by the enormous growth of domestic consumption. This has itself been derived from the "wealth effect," that has resulted from the record-breaking stock market boom, which has given rise to big capital gains, sharply reduced rates of saving, and the spectacular growth of private debt, both corporate and consumer. The accelerating growth of U.S. consumption has also been behind the record U.S. current account deficits that have kept the world economy turning over. In effect, a new form of artificial demand stimulus through *private* deficits, made possible by the Fed, has been substituted for the old Keynesian public ones. But, since the underlying problem of system-wide overcapacity and overproduction has not been resolved, it is only the stock market boom, buttressing the consumption boom, that today stands between the international economy and a new recession or something worse.

Competition, Concentration, Monopoly, and Profitability

In the June issue of *Monthly Review*, both David McNally and John Foster take issue with the emphasis on cost-cutting competition in my account of falling profitability. They regard this as something of a heresy against Marxist orthodoxy, and thus highly problematic. But they do not identify substantive problems in the argument.

McNally's account is a bit puzzling. He asserts that "Competition-centered theories [like mine] ... elide questions of wage-labor, exploitation, fixed capital." He scolds me for supposedly "failing to build on Marx's value categories" and proceeding from "a vague and fuzzy concept of competition" (42-43). But he then goes on to present schematically, and, as far as I can see, to endorse fully, my explanatory framework. In so doing, he confines himself to price terms and makes no reference whatsoever to value categories. He offers no indication of how

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

my argument might violate either the theory of value or of surplus value[1](I deny that it does.) (44-46). Moreover, he follows up his explication of my thesis by validating it through demonstrating in some detail (although without clearly acknowledging that he is, in the main, simply summarizing my own extended analysis and narrative) how my theory can grasp the onset and successive historical phases of the long downturn, with their characteristic features. I can only be grateful for McNally's clear and dynamic presentation of my views and his near total vindication of my work.

The core of Foster's critique seems to be that the powerful tendencies to concentration and centralization within modern capitalism contradict my argument based on destructive intercapitalist competition.[2] "[H]ow," asks Foster, "does [Brenner's] theory of crisis based on horizontal competition relate to the concentration and centralization of capital?" (31-32)

But it is difficult to grasp the critical point of this rhetorical question or to understand how it affects my argument, since concentration and centralization of capital are so obviously straightforward manifestations of intercapitalist rivalry, both effects of competition and means of fighting the competitive war. Large firms are, of course, generally aided by their size and financial wherewithal in securing those economies of scale and other technical advantages over their rivals that make possible temporary technological monopolies, which can be realized in either higher rates of profit or increased market share.[3] They therefore tend to win out in competition against small firms.[4] But the upshot is not, as a rule, the end of competition but the continued prevalence of competition, pursued by the relatively small numbers of large firms that dominate each industry, surrounded by not insignificant numbers of smaller, weaker ones. These great firms are not, for the most part, price takers, as were, for example, the myriad small producers that used to constitute the world's markets in agricultural goods. They engage in strategic rivalry, product differentiation, research and development, and so on, as well as competition involving price and output. But, since their competition is not any less brutal, it is difficult to see why Foster

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sees the concentration, centralization, and predominance of huge firms as undermining my argument.

The bottom line for Foster seems to be that the concentration, centralization, and prevalence of large firms are incompatible with my thesis because they lead to monopoly, and, for that reason, a *tendency for the surplus, and for the rate of profit, to rise,* which goes against my argument that cost-cutting competition brings about a *tendency for the rate of profit to fall* as a consequence of its impact on already-existing fixed capital. As an adherent of the *Monthly Review* school, Foster finds the roots of the long downturn in a problem of insufficient demand that results from the aggregate inability to realize the tendentially rising surplus, especially due to monopoly firms' interest in keeping down output to secure higher prices and holding back investment to protect already existing capital. Monopolies have the potential to restrict output and investment, of course, because they are freed from the competitive constraint. Insufficient demand manifests itself, in turn, in falling capacity utilization and slowed capital accumulation. Nevertheless, I am doubtful that this argument can get off the ground, because the initial leap from concentration, centralization, and large firms to monopoly and a rising rate of surplus is so difficult to justify, either conceptually or empirically.

The existence of widespread monopoly as the foundation for a tendency for surplus to rise, and for the freeing of firms from pressure to invest imposed by competition, entails, in the first place, that firms, in industry after industry, possess sufficient market power to set, or "administer," prices so as to yield profit rates above the average on a long-run basis. Concentration and centralization are thought to lead to monopoly because they are believed to create firms of such size and financial power in each industry that entry by newcomers is all but ruled out. Potential entrants are kept out because they cannot secure sufficient finance to achieve the scale and the technological level required to compete. In this situation, incumbent firms are able to collaborate, formally (e.g., through directly colluding) or informally (e.g., via "price leadership"), and to set prices and divide markets so as to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

secure a rate of profit significantly above the average. The upshot, according to the theory of monopoly capital on which Foster claims to base his arguments, is that surplus, and more generally the rate of profit, have a tendency to rise in the aggregate economy. This is because oligopolistic firms are not only able to raise prices beyond money wage increases but are also obliged to innovate to cut costs and protect themselves against oligopolistic collaborators who could, conceivably, become competitors.[5]

The basic problem with this scenario—in which concentration, centralization, and large size give rise to monopoly power and monopoly power makes for a tendency for the surplus to rise—is that it is ultimately premised on the effectiveness of barriers to entry that are more than temporary. But, if there is any trend that is as marked in contemporary capitalism as that toward concentration, centralization, and large size, it is that toward the increased mobility and mobilizability of capital on an international scale. Banks most obviously, but other financial bodies as well, tend to have immediately at hand, or to be able to bring together, whatever amount of capital is necessary to enter any field that is displaying an unusually high profit rate. In places like Japan, Germany, and the East Asian Newly Industrializing Countries (NICs), firms can resort to bank finance with particular ease, given the tight connections that exist between manufacturers and banks. In addition, states in such places can apply and routinely have applied truly massive financial resources to aid industries to the same end. The upshot is that more than temporary monopolies are difficult to maintain, without direct political action by governmental authorities to sustain them by controlling entry (and, of course, the tendency over the last couple of decades has been in the opposite direction, toward deregulation).[6] In this context, it is more than a bit difficult to credit either of Foster's core premises: 1) that oligopolistic firms have sufficient market power not merely to transfer part of the surplus from competitive firms, but, by raising prices faster than nominal wages, to increase the total surplus available to capital at the expense of the working class, thereby making for a tendency

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

for the surplus to rise; 2) that oligopolistic firms maintain sufficient insulation from competitive pressures to allow them to hold back on investing, which contributes to stagnation.

Foster berates me for asserting, as I did, that the vision of monopoly control, collaborative price setting, and tendentially rising profitability presented in *Monopoly Capital* was at best a "reification of quite temporary and specific aspects of the economy of the U.S. in the 1950s." He goes on to argue, moreover, that "capital's tendency toward concentration and centralization extending beyond mere national bounds," especially as it is exemplified in the rise of multinational corporations and "mega-mergers on a global scale," calls into question my premise of intense "global competition and price [cost] cutting" (31). But it seems to me that my case is borne out by even the most cursory glance at postwar capitalist evolution. It may perhaps be true that, for a brief period after the Second World War, groups of U.S. firms in industries such as auto, steel, or rubber, commanding the most modern technologies and facing overseas rivals enfeebled or in ruins, could cooperate directly or indirectly to administer prices. But soon they were obliged to confront intense struggle for markets from increasingly powerful competitors from abroad, most notably in Germany and Japan. These competitors were able to enter ever more technically sophisticated lines of production with advanced techniques, by drawing on the resources of enormous banks with whom they were closely connected, powerful groups of firms with whom they were aligned, and the backing of their governments.

It is difficult to see how monopolistic power could have sustained itself across wide sections of U.S. industry in the face of the increasing capacity of industrial corporations to enter into the world market, both in the United States and internationally. So, it is difficult to see how the long downturn might have found its origins in Foster's "overexploitation," i.e., "the tendency of the surplus to rise," leading to the insufficient growth of demand. In any case, if a tendentially rising surplus leading to investment stagnation was at the source of the long downturn, why was it that the economy was actually, as I argue,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

driven into stagnation and crisis by a sharp fall in the rate of profit from the middle of the 1960s, which was rooted in the inability of the firms in its highly concentrated and centralized manufacturing industries to sufficiently mark up over their rising costs? In what sense did "monopoly" prevail, when, in these years, in such industries as transportation, metals, chemicals, and electrical machinery, not to mention textiles and apparel, firms suffered sharply reduced profitability because world-market-imposed prices prevented them from maintaining their old rates of return? Finally, if a problem of effective demand was at the origin of the long downturn, why was it that the manufacturing rate of profit fell so sharply between 1965 and 1973, even holding capacity utilization constant, and that the growth of demand began to fall only after, and as a result of, the profound fall in the rate of profit, rather than vice versa?

Although Foster ignores this, I do offer straightforward evidence to prove my thesis that downward pressure on prices, resulting from overcapacity and overproduction in the international manufacturing sector, was behind the profound fall, and failure of recovery, of manufacturing profitability that lay behind the long downturn. During the decisive years between 1965 and 1973, when the rate of profit initially fell in the United States and on a world scale, the average annual growth of unit labor costs in the U.S. nonmanufacturing sector (the private business economy minus manufacturing), at 4.7 percent, was more than 50 percent faster than that in the manufacturing sector, at 3.05 percent, because nonmanufacturing productivity grew significantly slower than that of manufacturing, while nonmanufacturing wages grew somewhat faster. Nonetheless, in nonmanufacturing, the rate of profit fell by a mere 13 percent in these years, hardly enough to cause serious problems. In contrast, profitability in the manufacturing sector fell by a major 40 percent, to set off the long downturn. What lay behind this divergence is clear. Because they were immune from the international overcapacity and overproduction that at this time gripped manufacturing, nonmanufacturers were able to raise their output prices during these years at the average annual rate of 4.4 percent to maintain their rates

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of profit. Because manufacturers were, in contrast, subject to the overcapacity and overproduction that resulted from the intensification of cost-cutting competition on an international scale, they could raise their prices at an average annual rate of only 2.1 percent—less than half as fast as nonmanufacturers and were therefore unable to mark up over costs sufficiently to prevent a huge decline in their profit rates.

The same pattern, highlighted by the profound divergence in profitability between the manufacturing and nonmanufacturing sectors, also prevailed in the international economy as a whole (the G7 manufacturing economies taken in aggregate) in the period when profitability initially fell, as well as during the subsequent period between 1973 and 1979 when manufacturing profitability fell further, while the non-manufacturing rate of profit held its own.[7]

For reasons that I cannot fathom, Foster believes that I have somehow confused the study of shifting competitive advantage among *nations* (mere parts of the system), which has preoccupied business analysts like Lester Thurow and Michael Porter, with the central problem of the profitability of *firms* in the system as a whole, in relation to *system-wide* downturn and crisis(33). I make no apology for attempting to bring out the ways in which *nationally specific* conditions (including labor markets and movements, exchange rates, financial institutions, forms of government intervention, trade protection, and the like) influenced competitiveness. But, I don't know how I could have made it more obvious that I did so because I wanted to grasp the forces affecting the costs and profitability of *firms*. My object was to substantiate a thesis that self-evidently begins with the profit-seeking of individual firms under certain constraints, in order to explain the trajectory of system-wide profitability. For the firms, the struggle to cut costs, so as to increase market shares and raise profit rates, has been fundamental and explains why they have had little choice but to concern themselves obsessively with means to improve competitiveness (often in nationally-specific ways). But, the unintended consequences of their actions have been, first, the reduction of *aggregate* international profitability as a result of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

redundant capacity and production in manufacturing system-wide, and then the reproduction of reduced profitability through insufficient exit, too much entry, and the rise of (especially government) debt. It is therefore one of my central claims, again ignored by Foster, that, precisely because of the persistence of overcapacity and overproduction (and as a prominent manifestation of its continuation), international competition has, over the course of the long downturn, proved a zero-sum game, with nationally-based capitals tending to improve their profit rates only at the expense of their rivals, so that the *system-wide* profit rate long failed to rise.

Capital-Capital and Capital-Labor Relations

At the root of the misgivings of both McNally and Foster seems to be a concern that I am displacing the "vertical" capital-labor relationship from the center of the analysis of capitalist development in favor of the "horizontal" capital-capital relationship. However, my denial that the deep roots of economic downturn in general, or of the current long stagnation in particular, should be sought in class struggle—in either capital or labor being "too strong"—in no way implies that I doubt that the source of capitalist profits are to be found solely in the exploitation of workers. Nor, Foster notwithstanding, do I place "the question of capital versus labor in the background" (32); on the contrary, as any reasonably careful reader will attest, I analyze the class struggle and its often significant impact on profitability in each of the successive phases of the postwar epoch. But, although exploitation constitutes the only source of surplus value, and although class struggle is significant for the distribution of income, there is no reason to take it as a matter of dogma that the mechanism driving economic crisis and stagnation should be sought directly in the capital-labor relation. Indeed, the thesis Foster himself favors, of a rising rate of surplus leading to problems of realization, depends on the capacity of firms in concentrated/centralized industries to raise prices over money wages, which itself derives from these firms' *horizontal* oligopolistic relationships with one another, and *explicitly not from the class*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

struggle.[8] In the same way, McNally strongly endorses the point of departure and basic structure, if not the concrete results, of the traditional version of the Marxist thesis of the falling rate of profit. Yet this theory derives the falling rate of profit, as he says, from firms' attempts to cut costs so as to respond to *horizontal competition* by bringing in new techniques that raise the organic composition (capital-labor ratio) "in order to raise productivity and *win the battle for market share*" (44, emphasis added). Class struggle plays no part in it.

In the one place where he does specify a theoretical disagreement with my argument, McNally asserts (not, perhaps, entirely consistently) that the actual source of the expansion of fixed capital that occupies such a prominent place in my analysis is to be found in the exigencies of capital's class struggle against labor and not, as I would have it, in capitals' struggle for survival against other capitals (43). McNally's contention is that capitalists increase their reliance on fixed capital to reduce their reliance on a labor force that will tend to resist the extraction of surplus value. His argument is of a piece with other Marxists' assertion that employers mechanize primarily to de-skill, so as to reduce their dependence on craft labor.

Now, I obviously have no reason to deny that the resistance of workers, not least skilled workers, at the point of production, plays an essential part in shaping capitalists' methods of extracting surplus value and making a profit. McNally is surely right to contend that, all else being equal, capitalists will seek to impose mechanized techniques that leave them less rather than more dependent on workers, especially skilled ones. But, when McNally accuses me of failing to "*derive* the growth of fixed capital from the capital-labor relation in general and labor's resistance to work in particular" (43, emphasis added), I can only plead guilty. For it seems to me all but self-evident that the growth of fixed capital cannot be derived from the capital-labor relation at all, *unless the latter is considered in connection with the pressures of competition*. The main reason that capitalists have to worry about worker resistance to the intensification of labor is that, unless they take hold of the labor process, they are under competitive threat from rival

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

producers who have done so. In the absence of the competitive threat, capitalists have no *compulsion* to intensify the labor process at all; indeed, how much they try to do this would then depend only on each capitalist's thirst for greater consumption. Why would capitalists be concerned with most effectively fighting the class struggle, if they did not have to worry about maximizing profits in order to compete and survive? The *systematic drive* to intensify work and secure control of the labor process is generated only by the rigors of competition.[9]

To the foregoing, it seems to me that one need only add the crucial, if hardly controversial, point that capitalists have, historically, been driven to expand fixed capital so as to cut costs not only by the exigencies of controlling the labor process, but, even more, by the demands of technology and (increasingly) science, i.e., the need to bring in ever more powerful productive forces. Of course, this process of mechanization has itself been powerfully shaped by the capital-labor relation and the class struggle. It is no accident that investments in improving technique are, under capitalism, "biased" to such a great extent toward investment in machines as opposed to investment in human beings. Capitalists are anxious to avoid, if at all possible, increasing the bargaining power and autonomy of their workers by endowing them with increased skill, and, by the same token, surely pursue de-skilling to the extent feasible. Given, moreover, the freedom of the labor market, capitalists are obviously afraid that workers in whose skills they invest will move to another firm. The fact remains that capitalists are sometimes obliged to invest in their workers' skill and education, because this is the most effective way to cut costs, so as to increase profitability and survive in competition. In any case, however they cut costs (by improving their control over the labor process or by improving technique, by de-skilling or by re-skilling), the exigency to which they are responding is the need to remain competitive.

The foregoing point can be put more generally.[10] On the one hand, it is impossible to derive the law of capital accumulation merely from the existence of wage labor alone. On the other hand, the tendency to invest surpluses and innovate is

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

inherent in economies structured by social-property relations in which the direct producers have been rendered *dependent upon the market* by their separation from *the means of subsistence*, even if they have yet to be proletarianized by their separation from *the means of production*.

It should be emphasized that non-capitalist economies with substantial amounts of wage labor are not uncommon in world history (European feudalism being a good example). The point is that, in such economies, the employers (e.g., feudal lords and sometimes large peasants) who exploit wage labor are shielded from competition by their possession of the means to provide their own subsistence directly. Since they are not therefore dependent on the market for their inputs, they do not have to sell their outputs competitively to survive. As a result, they do not, as a rule, compulsively seek to maximize profits through cutting costs in production, so cannot be expected systematically to accumulate or innovate. On the contrary, they adopt other "rules for reproduction" that either better maximize their surpluses (e.g., in the case of lords, by investing in the means to fight wars or exploit peasants) or that allow them to maintain themselves as they think best (e.g., in the case of peasants, by producing for subsistence in response to the uncertainty of harvests, subdividing plots, choosing leisure instead of work). The upshot is that capitalist tendencies of development fail to materialize.

In contrast, in economies where they are free from the extraction of their surpluses by extra-economic coercion, but do not possess their full means of subsistence (especially the land), direct owner-operator producers have no choice but to seek to sell competitively by maximizing their price-cost ratio via specializing, accumulating their surpluses, and innovating to the extent they can. This is because (in contrast, most notably, with peasant possessors of the full means of subsistence) they have been rendered dependent upon the market for their inputs, thus subject to competition to survive, and this remains the case whether or not they hire wage labor. [11]

To put the point succinctly: in economies where the social-property relations have failed to render the direct producers

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

subject to competition, the law of capital accumulation will not hold, even if wage labor is common; in economies where the social-property relations have rendered the direct producers subject to competition, the law of capital accumulation will prevail, even if wage labor is absent.

NOTES

1. Except in one respect , for which, see below, pp. 41-42.
2. The burden of Foster's criticism is not all that clear, in part because he badly misrepresents my argument in the process of objecting to it. He insists that "the secret of the present crisis is said [by me] to lie in the *globalization of competition* ... which knows no bounds and is undermining all fixed positions, resulting in a *kind of free fall*," so that "what is projected is a downward spiral induced by competition ... with *no seeming end to the process*" (30, 28, 31, my emphasis). But, this is plainly a caricature. I never use the term "globalization of competition." The idea, moreover, of a crisis "which knows no bounds" and "with no seeming end" is foreign to my argument. I list three mechanisms to account for the failure of profitability to recover immediately and thus for the extension of the downturn. These mechanisms are presented as *counter*-tendencies working against the inherent tendencies to restore profitability built into the drive by employers to reduce wage growth and, most especially, the pressure to reallocate and to shake out high-cost, low-profit means of production from over-supplied, low profit lines. Foster makes it easier for himself to characterize my argument as he does by attributing to me the absurd view that, in bringing in its innovation, the cost-cutter will, as a rule, secure market share by reducing its own rate of profit. Foster writes, "The result [of cost-cutting], since the cost-cutting innovating firm is not able to force the high-cost firms from the market, is '*reduced profitability in the line for all, including the cost-and price-cutter itself*" (31, my emphasis). But my argument is, of course, the direct opposite, i.e., that the cost-cutter can find it makes sense to introduce its innovation only if it can sufficiently cut costs to increase its share by forcing some incumbents from the field while at the same time maintaining its own rate of profit. Foster can assert the opposite because he has entirely torn from context the above italicized quotation from my book, which is actually stating a counter-factual outcome, i.e., specifying what would happen if a cost-cutting firm sought, against its own interests, to enter a line where it could not force out some of the incumbents. For the full argument, see *Economics of Global Turbulence*, pp. 26-28 and ff.
3. Astoundingly, Foster contends that "Brenner explicitly denies that temporary monopoly profits are possible, or that low cost competitors—often the giant firms with their economies of scale—can seize control over large shares of the market at the expense of their smaller competitors" (33). He also asserts that "It would not be too much to say that Brenner's entire model depends on the inability of the low-cost innovator to obtain short-term monopoly profits" (vol. 37, no. 4). But, he offers no reference from my work to back up, explicitly or implicitly, these unfounded claims ... nor could he, since my whole standpoint, in agreement with common sense and the view of economists of almost every stripe, is premised on the assertion of the proposition he says I deny.
4. That said, it should not be overlooked that much innovation is achieved by new, small firms, which in some instances evolve into large ones.
5. For this, and the preceding paragraph, see, of course, P. Baran and P. Sweezy, *Monopoly Capital* (New York: 1966 and 1969), pp. 53-78; also P. Sweezy, "Competition and Monopoly" (1981), in J. B. Foster and H. Szlajfer, eds., *The Faltering Economy* (New York: 1984), pp. 32-39.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

6. See, especially, M. Glick, "Competition versus Monopoly: Profit Rate Dispersion in US Manufacturing Industries," Ph.D. dissertation, New School for Social Research, 1985; and S. Zeluck, "The Theory of the Monopoly Stage of Capitalism," *Against the Current*, vol. I, no. 1 (1980). Cf. J. A. Clifton, "Competition and the Evolution of the Capitalist Mode of Production," *Cambridge Journal of Economics*, vol. I (1977); and W. Semmler, *Competition, Monopoly, and Differential Profit Rates* (New York: 1984). Foster elsewhere expresses disdain for the idea that the increased difficulty of maintaining barriers to entry (due especially to the increasing capacity of financial institutions in general, and of foreign corporations in particular, to mobilize sufficient capital to make possible access to unusually profitable industries) has made the maintenance of monopoly profits difficult. But, it is hard to see on what basis he does so. J. B. Foster, "Is Monopoly Capitalism an Illusion?" *Monthly Review*, vol. 33, no. 4 (1981), p. 43.
7. Foster seems to think that the facts that falling prices have been uncommon in the postwar epoch and that, for a significant part of the postwar epoch, inflation was the order of the day, somehow go against my argument that the rate of profit fell because firms found their profits squeezed by downward pressure on prices resulting from overcapacity and overproduction (mainly) in manufacturing lines (32). But general, absolute price trends are obviously beside the point of my argument, which concerns only the *relative* trends of costs and prices. Manufacturing firms saw their profits squeezed because, as a consequence of overcapacity and overproduction in manufacturing (resulting from the introduction into the market of lower-priced goods by lower cost producers), they were unable to mark up their prices sufficiently to counteract their rising costs, as they had previously been able to do, and as nonmanufacturers continued to be able to do.
8. "Unions certainly do play an important role in the determination of money wages ... This does not mean, however, that the working class as a whole is in a position to encroach on surplus or even capture increments of surplus which, if realized, would benefit the capitalist class relative to the working class. The reason is that under monopoly capitalism employers can and do pass on higher labor costs in the form of higher prices." Baran and Sweezy, *Monopoly Capital*, p. 77.
9. I wish to thank Vivek Chibber for his help with the formulations in this paragraph.
10. The following section presents, in desperately abbreviated form, ideas from my work on economic development and the transition from feudalism to capitalism. For recent statements of my viewpoint, see my "Property Relations and the Growth of Agricultural Productivity in Late Medieval and Early Modern Europe," in A. Bhaduri and R. Skarstein, eds., *Economic Development and Agricultural Productivity* (Cheltenham, UK: 1997) and "The Low Countries in the Transition to Capitalism," in J.-L. Van Zanden and P. Hoppenbrouwers, eds., *From Peasants to Farmers? The Transformation of the Rural Economy and Society in the Low Countries in Light of the Brenner Debate*, forthcoming , as well as "The Rises and Declines of Serfdom in Medieval and Early Modern Europe," in M. L. Bush, ed., *Serfdom and Slavery. Studies in Legal Bondage* (London and New York: 1996). See also the analogous, closely related analyses presented by E.M. Wood, "The Politics of Capitalism," *Monthly Review*, vol. 51, no. 4 (September 1999), which dovetail with the arguments presented here, and with which I am in full agreement.
11. I do not contend that such economies ever existed in pure form, though rough approximations can be found in seventeenth-century England and seventeenth-century northern Netherlands. But, it is useful to posit the model to see more clearly the social-property relations that underpin the tendency to accumulate capital, as well as to understand the tendency to act like capitalists of the owner-operators who constitute often significant segments of capitalist societies, notably farmers.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Marxism, Human Nature, and Social Change

by Martha Gimenez

Sean Sayers, *Marxism and Human Nature* (London: Routledge, 1998), 203 pp.

At a time when politicians, academics, and media pundits celebrate the demise of Marxism as a credible school of thought, and hegemonic "postisms" (e.g., poststructuralism, postfeminism, post-Marxism) have succeeded in producing a generation of young academics for whom everything (themselves included) is "socially constructed" and open to "deconstruction," in an endless game of shifting identities and "stories," a book about Marxism and human nature seems hopelessly outdated. It is, however, precisely at this time that this book should be welcome, not only because it is full of

Martha Gimenez (http://csf.colorado.edu/martha/) is associate professor of Sociology at the University of Colorado at Boulder. She is the author of numerous articles and book chapters on population theory, Marxist feminist theory, and U.S. politics of racial/ethnic enumeration. She is the founding editor of Progressive Sociologists Network (PSN [http://csf.colorado.edu/psn/]) and Progressive Population Network (PPN [http://csf.colorado.edu/ppn/]).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

illuminating insights that dispel many common stereotypes about Marx and Marxism, but also (and most importantly) because it demonstrates how Marx's theory of human nature, and its social and moral implications, offer a necessary alternative to the current "antinomies of bourgeois thought" (e.g., essentialism vs. anti-essentialism; humanism vs. antihumanism; determinism vs. social constructionism). (I have borrowed this phrase from Georg Lukacs in *History and Class Consciousness.*)

Sayers' aim is to present and defend an historical account of human nature, its conditions of emergence, development, and fulfillment, and its moral and social implications. Based on the works of Marx and Hegel, this is an important contribution to Marxist philosophy and Marxist social science as well. The substance of his argument is that neither those who negate the reality of human nature nor those who posit the reality of a universal human nature offer an acceptable account. Human nature is both historical (i.e., relative to the mode of production within which it emerged and develops) and universal, insofar as every mode of production shapes the world in its own image. As modes of production change, human nature changes accordingly because "the whole of what is called world history is nothing more than the creation of man through human labor" (Marx, cited in Sayers, 4). This is a historical and dialectical account, based upon Marx's inversion of the Hegelian dialectics and the main premises of historical materialism—which states that human beings are self-produced, active creatures who, by their very nature, are compelled to transform nature to satisfy their material needs; in the process of doing so, they change nature and change themselves, producing and reproducing themselves physically, socially, and intellectually as they acquire new needs, powers, and capacities.

Labor is at the very center of this historical and dialectical account of human nature and, as people develop their powers and capacities through labor, the conditions under which people work acquire ontological significance as well. How philosophers and social scientists view labor and its place in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

people's lives shapes their understanding of human nature and their moral judgements about society.

Those whose conception of human nature removes it from its historical conditions of possibility become apologists for the status quo, for they impute to an abstract, ahistorical, universal human nature the effects (upon human development and social life) of historically specific oppressive and exploitative social relations. Marxism, on the other hand, postulates an internal and essential (rather than external and contingent) relationship between human nature and its historical context. This is the material basis for the emergence of values and moral standards suitable for evaluating modes of production in light of their ability to further or thwart human development.

The organization of the book reflects these two aspects of human nature. In the first part, focused on work and human nature, Sayers sharpens his arguments in the process of critically assessing utilitarian, hedonist, and libertarian views on human development and the meaning of work. In the second part, he presents the Hegelian philosophical foundations of Marx's method, and the political and moral implications of Marx's theory of human nature, exposing the theoretical and methodological basis for Marxism's claim to be a critical theory: i.e., a theory of society that is also a theory of politics and an ethical outlook.

Against utilitarian and hedonistic views of human nature that posit human beings as utility or pleasure seekers, interested only in the quantity of pleasure they can get, regardless of its source, and J.S. Mill's critique of this quantitative approach, which posits a distinction between higher (i.e., intellectual) and lower (i.e., physical and sensual) pleasures, Sayers argues that these views are one-sided and therefore unsatisfactory as realistic accounts of human nature. Mill's views in particular, positing the educated, intellectual, and artistic life above physical or manual labor and satisfaction of sensual needs, reflect the historical reality of class societies, in which the division between intellectual and manual labor rises from—and is continuously reproduced and often intensified by—the class structure and the social and technical division of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

labor. In reality, Sayers argues, both intellectual and manual labor, the so-called "higher" and "lower" forms of life, are of the essence of human nature and human activity: people cannot pursue intellectual endeavors without first satisfying their basic needs and physical activity, whereas manual labor requires intelligence, knowledge, and reflection. The division between intellectual and manual labor is the historical product of the development of the forces of production in class societies; it reaches new depths today in the effects of global capitalism on the world's workforce. The development of the productive forces creates enormous material and intellectual wealth and growth of the intellectual and creative possibilities open to the privileged few, while simultaneously condemning increasingly large proportions of the population to a life of poverty and, because of unemployment and underemployment, forced idleness and stunted physical and intellectual development.

Hedonism and utilitarianism are also open to criticism, because of their portrayal of people as passive consumers. This, Sayers points out, is an impoverished view of human nature that minimizes the fundamental role of labor in human life. True, labor today is alienating and oppressive for most workers but, under socialism (a society organized for the satisfaction of human needs rather than capital accumulation), labor will lose its alien character and become the source of self-realization for all. Furthermore, Sayers argues, labor is not the only source of self-realization; leisure is just as important. Life should include all sorts of activities besides work, such as fun, recreation, satisfaction of sensual and artistic needs, and the development of those potentialities not actualized in the context of work. It is just as one-sided to give primacy to intellectual over manual labor as it is to assume that human nature can attain its historically possible levels of development only through work. Full human development requires the all-around development of our capacities and powers for work and for enjoyment of our intellectual and physical potential.

Sayers postulates a dialectic between work and leisure as a historically developed need that ought to be fulfilled if people are to attain the development of their powers and abilities.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

As people engage in activities to satisfy their needs, they develop new skills and knowledge which, in turn generate new needs, new activities, and further self-development, mastery over their conditions of life, and self-realization. Given the alienating conditions in which most people work—for many people, work is simply a means to earn a living while "real" life begins outside work—it is not surprising that hedonist views of work as painful deferred gratification, and libertarian views such as those of Gorz (who argues that people need to be liberated from work), seem more accurate in their depiction of work than the idea that there is a need to work. To those who would argue against that notion, Sayers points out that the concept of alienation presupposes the need to work which, though denied under capitalist conditions, resurfaces in the extremely negative effects of unemployment, in people's eagerness to develop their creative potential after work, and (as shown in research findings about people's attitudes towards work) in people's reluctance to give up work even without income loss. The need to work, as we experience it today, is a historical product of the development of the forces of production and, concomitantly, the development of human capabilities and knowledge; that it is historical does not mean that it is false or unnatural, because all attitudes and feelings towards work reflect the mode of production and the kinds of constraints and possibilities it opens up for people. The need to work is an integral part of human nature as it historically develops through labor.

The same reasoning applies to leisure. The concept of leisure (as we understand it today) had no meaning in the past, when leisure was not the creative space that romantic critics of industry and technology dream about, but most likely the time to satisfy sensual pleasures and sleep. The creative use of non-work time is a modern development which, paradoxically, reflects the need to work; people whose work lives are less than satisfactory seek fulfillment during their leisure time. Another manifestation of the need to work is the extent to which people today (particularly the younger generations) are reluctant to accept meaningless work just because it is necessary for sur-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

vival or because one has a duty to work. The greater the education and skills of the workforce, the more demanding they are likely to become. But one wonders how far those demands can go under the conditions imposed by world capitalism, which allows capital unprecedented freedom and mobility. Another question that comes to mind is the fate of alienated labor under socialism and whether the dichotomy between work and leisure will remain. Sayers postulates the historical emergence of leisure as a need dialectically related to the need to work, but responding to related (though somewhat different) concerns. But the need for leisure today reflects, to a large extent, the deeply alienated nature of most working conditions, including white-collar and professional work. And, regardless of future technological advances, we cannot assume that all necessary but relatively unpleasant or dangerous work will be eliminated. The contrast between work, no matter how nonalienated, and leisure or non-work time is therefore likely to remain under socialism, though attenuated in comparison with present conditions and perhaps responding more to the demands of our physical nature, rather than our needs for intellectual self-realization.

The question of women's domestic labor is briefly addressed: noting how feminists differ in their evaluation of domestic work—some reject men's alienated work and impute greater value to domestic work, while others find it stultifying and argue that women need to work and should seek paid employment—Sayers, agreeing with the latter, argues that women, like men, experience the need to work. He postulates that this need also arises from changes in the productive forces affecting all workers under capitalism. Economic necessity, while indeed an important cause of the rise in women's labor-force participation, is not the only (nor the main) reason why women, including those who could afford to be full-time housewives, seek employment. Domesticity, given the conditions of life and growth of human capabilities in the twentieth century, is not a sufficient source of self-realization for modern women. Besides, the privatized world of home and family can never compensate for the alienation of work and the solution

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

is not to retreat into the fantasy of the "haven in the heartless world," but to struggle for socialism, where people can truly develop their powers in a social setting and where the socialization of domestic work and childcare will thoroughly change men's and women's relationship with each other and to work (178).

Sayers' arguments rest upon his grasp of Marx's method; in this sense, his book is not only about Marxism and human nature but is an object lesson in how to use Marx's method to understand human nature and its implications. Sayers offers a very clear and useful discussion of Marx's method in relationship to the philosophical and methodological significance of Hegel's often quoted statement, "What is rational is actual and what is actual is rational" (Hegel, cited in Sayers, 95). For both Hegel and Marx, there is a unity between actuality (i.e., the world as it is) and rationality; for both, rationality is not transcendent but historical, for human reason develops in relationship to the world; for both, the relationship between actuality and rationality is dialectical, contradictory, and changing. For Hegel, however, the rationality of the actual (meaning that actuality is orderly, patterned, manifesting elements, laws, and tendencies which can be discerned through scientific study) is at the same time evidence that rationality is realizing or actualizing itself in the world, so that what is, is what it ought to be—hence the "mystical shell" covering the "rational kernel."

Marx, on the other hand, starts from actuality or reality and it is on its basis that he explains human reason, consciousness, and ideas. Marx retains the Hegelian dialectics of the unity between actuality and rationality (or between existence and consciousness) but, from the standpoint of historical materialism, it is existence that determines consciousness. The social world does not reflect the self-realization or actualization of human consciousness or human rationality; it is the dynamics of the world itself—its changes, development, and contradictions—which explain changes in the forms of consciousness, ideas, and reason.

The unity between actuality and rationality or, for Marx, existence and consciousness, is a unity in contradiction such that, as the contradictions in the social world unfold, people's experiences and activities change, new needs and correspond-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing aspirations, interests and critical ideas, emerge to challenge previously accepted forms of thought and social relations. As Sayers points out, before criticism is expressed in ideas "it exists first of all in fact. Only later it is apprehended by consciousness and reflected in thought" (109). It follows that when Marx critiques capitalism and postulates the desirability of socialism, he is doing so not on the basis of transcendental moral values, notions of justice, or a transcendental reason, but simply on the basis of the scientific analysis of its own tendencies and contradictions, as manifested in changing social relations and forms of consciousness.

Having established the dialectical nature of Marx's method, Sayers proceeds to demonstrate, through the examination of the role of moral values in Marxism, the problems inherent in attempts to understand Marx's work while rejecting its Hegelian roots and, consequently, its dialectical ontology and mode of theorizing. Analytical Marxists, he argues, achieve only misunderstandings and misinterpretations when they apply antithetical, positivist assumptions to Marxism. Marxism's claim to be both scientific and political is considered, by Analytical Marxists, a source of confusion and incoherence. For them, that Marxism historicizes justice, right, morality, and values entails a hopeless relativism that makes it impossible to apply those standards outside the system in which they emerged or to critique the system as a whole (not just deviations from its laws or value system). From their standpoint, capitalism can be critiqued, and socialism supported, only on the basis of ahistorical, transcendental notions of justice, self-realization, and human development. But it is wrong to divide Marxism into a value-neutral scientific theory of history, and a political and ethical outlook based on transcendental values such as, for example, justice and self-realization (113); these are false alternatives. Dialectically, Marxism as a theory of history is not incompatible with ethics and politics; these are not logically independent aspects of Marxism but integral aspects of its analysis of the capitalist mode of production. Notions of morality, justice, and fairness (as they emerge within capitalism) reflect the aspirations, needs, and interests

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of different groups and social classes. This is why the critique of capitalism and the socialist vision do not rest on either relativist or transcendent notions but on historical notions of morality, fairness, and justice that reflect the nascent needs, aspirations, and interests of those classes that are destined to build the society of the future. Dialectically, morality is a unityopposites; it is always relative to a given mode of production, but also universal or "absolute" because "in every stage the essence of man is realized, however imperfectly" (Bradley, cited in Sayers, 118-119).

There are other important topics discussed in this small but very rich text, such as the meaning of progress, the nature of socialism, and the relationship between alienation and globalization. Those teaching courses on Marxist philosophy and Marxist theory will find this clear, exceptionally well-written book an excellent text for graduate students, and a welcome source for deepening their own understanding of Marx's method and its usefulness as a tool for social analysis and political thinking. This book is particularly useful also for exposing the weaknesses inherent in the false and rigid theoretical alternatives students are offered in theory courses today, between the natural and the social, the universal and the relative, and the essential and the inessential. It is important to bring back the Marxist alternative, the historical understanding of human nature and social reality that stresses the dialectical, concrete unity of the universal and the particular, and the natural and the social.

Finally, as we near the end of the millennium, while global capitalism relentlessly tears the world's communities apart and qualitative social change seems beyond our reach, it is important not to have this reminder of key aspects of Marx's work overshadowed by our concern with political economy.

It is important to be reminded of the nature of our human nature, of the role of labor in our self-realization, and of the dialectical interaction between structural change, contradictions, and the emergence of new needs, aspirations, and powers. This book reminds us that, though we live under conditions not of our own choosing, it is we, in the end, who make history.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

New Labour, New Thatcherites

by John Newsinger

Nick Cohen, *Cruel Britannia* (London and New York: Verso, 1999), $25, cloth.

One of the New Labour government's first acts after its landslide general election victory of May 1, 1997, was to hand over control of interest rates to the bank of England's monetary committee. This amazing abdication, intended to demonstrate a new relationship with international finance, was made even more incredible by the fact that one of the members of this committee was an American economist, De Anne Julius, who had worked as a research analyst for the CIA in the early 1970s. As Nick Cohen points out, she had

> joined the CIA during one of the ugliest periods in its history. Her career choice would not have disturbed far-right Americans with no qualms about the CIA-inspired massacres in Vietnam ... What is surprising is that it has not prevented a Labour government from putting a former agent of a foreign power on the Bank of England's monetary committee (16).

John Newsinger is a lecturer at Bath Spa University College. His most recent books are *Orwell's Politics* (Macmillan, 1999) and *The Dredd Phenomenon: Comics and Society* (LibEd, 1999).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

We have, of course, had a lot more similar surprises since.

Among the fiercest critics of New Labour's drive to the right has been Nick Cohen, a columnist with the *Observer* newspaper in London. *Cruel Britannia* collects his *Observer* articles and other journalism together in a volume that provides an essential guide to what is going on in Tony Blair's Britain. According to Roy Hattersley, a former Deputy Leader of the Labour Party, Cohen is "Downing Street's public enemy number one." Hatterseley, once a bulwark of the right wing of the Labour Party, goes on to endorse most of what Cohen has to say, and states quite bluntly that *Cruel Britannia* contains "some of the most compelling writing to be published during the age of Blair." [1] How has a much-maligned right-winger like Hattersley come to find himself in such an uncomfortable position? The answer is quite simple: he has stood still, while Blair has led New Labour in an enthusiastic embrace of his own particular brand of Thatcherism. The political scenery has shifted so sharply to the right that Hattersley has found himself marooned on what remains of the Labour Party left.

Blair and his associates have made no secret of their intentions as far as the reconstruction of British politics is concerned. They have relentlessly proclaimed New Labour to be the party of business and, moreover, have backed up this rhetoric with action. Martin Taylor of Barclays Bank and Bob Ayling of British Airways, both open and avowed enemies of the labor movement, were brought into the quangocracy and involved in the development of New Labour policy. Lord Sainsbury, the second richest man in Britain, actually joined the government as a minister. And, of course, Rupert Murdoch has had the Prime Minister's ear, visiting Downing Street on a regular basis. Even more astonishing, another regular visitor has been Margaret Thatcher herself. [2]

The extent to which New Labour has been prepared to prostitute itself before big business is brought out by Cohen to devastating effect. The Labour Party conference in September 1998 was notoriously given over to the celebration of big business. In Cohen's words, it looked "more like a trade fair than a political convention." Most telling was the decision to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

allow the American power company, Enron, to host pre-dinner drinks! As Cohen writes:

> Jeffrey Skilling, Enron's Chief Executive, has a New Labour impatience with curbs on capitalism. 'You must cut jobs ruthlessly by 50 or 60 per cent,' he said of his employees. 'Depopulate. Get rid of people. They gum up the works.' Amnesty International exposed degumming in India when it investigated the beatings of villagers opposed to an Enron power plant. So violent was the company's use of what in effect was a private army, it received the distinctive honor of being the subject of the only Amnesty report about a corporation rather than a dictatorship (195).

At the same time as it was stroking the Labour leadership, Enron was bidding for the privatized Wessex Water company for which it needed a government go-ahead. There was, of course, no problem.

The Blair strategy is to free New Labour from its dependence on trade union contributions by attracting big business donations, hopefully consolidating New Labour's reconstruction along the lines of the U.S. Democratic party. Blair's hostility to trade unions is well-known and he has actually boasted to business audiences of how repressive Britain's anti-trade union legislation is!

What of New Labour's "ethical" foreign policy? This had to be squared with the fact that Britain is the world's second biggest arms exporter. The problem was demonstrated by the Foreign Office's first Annual Report on Human Rights, a New Labour innovation. This glossy publication unfortunately included a photograph of New Labour's ethical Foreign Secretary, Robin Cook

> shaking hands with President Suharto, the dictator of Indonesia. They look what they are, two men of business making a mutually advantageous deal. Both have faint yet chummy smiles. Their grips are manly. Eye contact has been established and you could be forgiven for assuming that celebratory toasts will shortly be exchanged. The deal in question is an arms deal ... (61).

As Cohen goes on to point out, between May 2, 1997, and March 6, 1998, "New Labour delivered 51 batches of arms to Indonesia through the gap in its ethical defences" (64). More recently, New Labour distinguished itself as the strongest supporter of the air bombardment of Serbia. Indeed, Cook

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

promised that the future would see more such military actions. Dictators are well advised to buy British to avoid inconvenience.

As far as the inhabitants of Great Britain PLC were concerned, the government quickly demonstrated what was in store for them. As a first step in the dismantling of the welfare state, New Labour proceeded to an immediate cut in the benefits of single mothers. What was particularly obscene about this attack on some of the poorest and most disadvantaged people in Britain was that New Labour's large intake of new women MPs, many of them pretend feminists, were wheeled out to defend it. Cohen registers his "embarrassed disgust" at their conduct.

Cohen's particular object of loathing in the New Labour ranks is, however, Home Secretary Jack Straw, for his policies with regard to refugees and prisons. Having condemned the former Conservative government's policy towards refugees for its inhumanity, Straw has proceeded to introduce an even more reactionary policy designed to impose abject poverty as a deterrent. Similarly with regard to prisons: having condemned the creeping privatization of the prison system in opposition, Straw has now embraced privatization as the epitome of New Labour's Third Way. As Cohen writes:

> Before the election, Jack Straw was adamant that there would be no place for 'morally repugnant' private prisons in the New Britain ... In government, the need to incarcerate brought a pragmatic shift. Straw told the Prison Officers' Association that he had learned to love corporations and their punishments because they were cheap ... 'they had lower staff ratios, lower staff costs, fewer staff holidays and, in many cases, a longer working week.' A Labour Home Secretary was gloating about the exploitation of workers ... (18).

There is, of course, a dreadful logic here. Once you have abandoned any concern with social justice or equality, with the redistribution of wealth or curbs on the rich, what else can you do with the lower orders 'but jail them when they become uppity' (117).

Much the same story can be told for other areas of government activity. With regard to education policy, New Labour has shown itself to be even more reactionary than the Conservatives—

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

something many people believed to be impossible! It is New Labour who have abolished free higher education and student grants and who have begun the privatization of state schools, things the Conservatives never dared to do, even under Thatcher. Blair's Third Way is, as Cohen insists, "a road that takes us further to the right than we have ever been before" (122).

NOTES

1. Roy Hattersley, "Lost Cool," *The Guardian* (London) June 19, 1999.
2. Blair's Conservative credentials have been acknowledged by the Conservative Party historian, Lord Blake, who has argued that Thatcher's greatest triumph has been to finally destroy British Socialism by turning the Labour Party into another Conservative Party. In the latest edition of his semi-official history of the Conservative Party, he actually lists Blair's government as a Conservative government! See Lord Blake, *The Conservative Party: From Peel to Major* (London, 1997), pp. 416, 420.

Donating Appreciated Stock to MR

Have you considered donating stock to the Monthly Review Foundation? Supporting MR and its educational mission will give you major tax advantages: you won't have to pay any capital gains taxes on the stocks, and you will get a full tax deduction for the current value of the stocks. With the market at record heights, there has never been a better time to take advantage of these provisions. For more information, contact Martin Paddio at (212) 691-2555.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

STAY FREE!

magazine

commercialism & american culture.
medical advertising. the social
psychology of mindlessness.
sut jhally v. james twitchell debate.
jerry mander & pingpong.

Sample issue: $3
Subscriptions: $10

p.o. box 306
prince st. station
new york, ny 10012
metalab.unc.edu/stayfree

LABOUR/LE TRAVAIL

Journal of Canadian Labour Studies

Published by the Canadian Committee on Labour History since 1976, *Labour/Le Travail* features important articles on working-class history, industrial sociology, labour economics and labour relations. Although primarily interested in articles providing an historical perspective on workers in Canada, the semi-annual journal also publishes documents, conference reports, review essays and reviews.

Subscription Rates (Outside Canada): Individual $25 ($30 US); Institutions $35 ($50 US); Student/Retired/Unemployed $15 ($25 US)

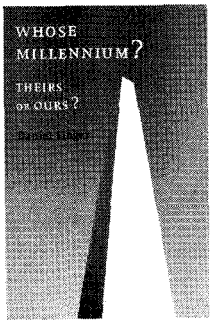
Canadian Committee on Labour History
Memorial University, CCLH, FM2005,
St. John's, NF A1C 5S7 CANADA
Telephone: (709) 737-2144 Fax: (709) 737-4342

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

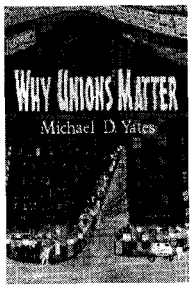
holiday giving

Choosing a gift has never been easier . . .

$13.00 paper/138 pp.

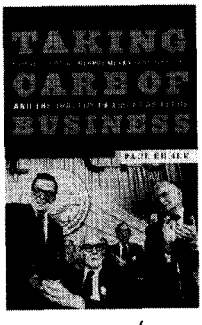


$17.95 paper/288 pp.

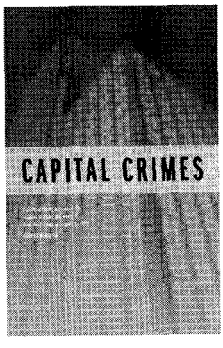


$17.00 paper/192 pp.

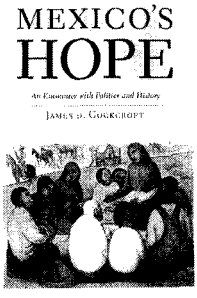
Or more meaningful.



$18.00 paper/315 pp.



$18.00 paper/360 pp.



$18.00 paper/435 pp.

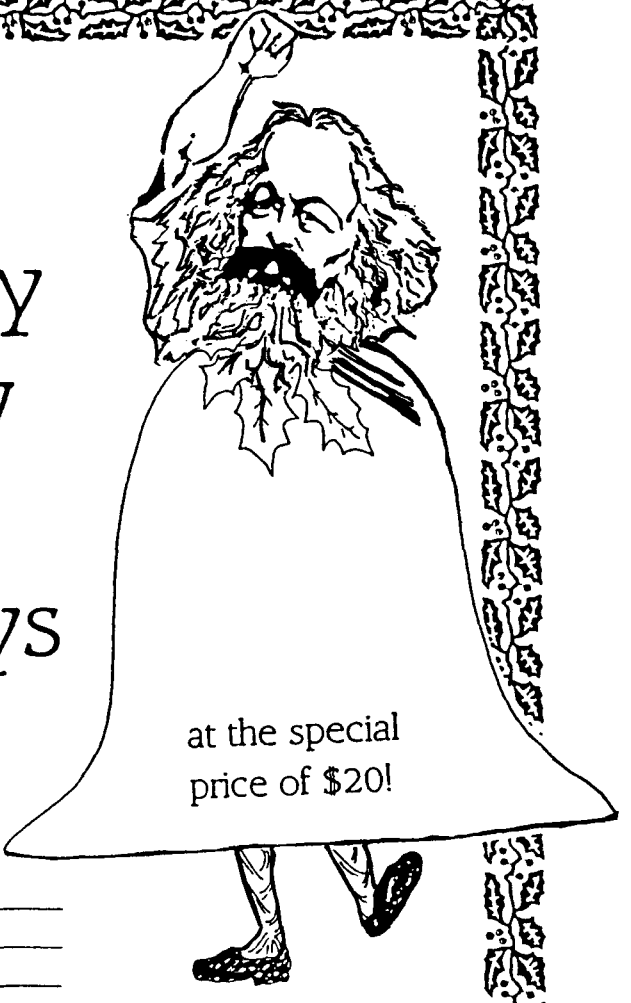
Please add $3.00 for postage on the first book; $1.00 for each additional book.

Monthly Review Press 1-800-670-9499

T: (212) 691-2555 / F: (212) 727-3676 / 122 West 27th St./ New York, NY 10001

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Give Monthly Review for the Holidays



FROM

Name _____

Address _____

_____

_____

TO

Name _____

Address _____

_____

_____

TO

Name _____

Address _____

_____

_____

Offer expires 1/1/00. Foreign subscribers add $10.
Monthly Review, 122 West 27 Street, New York, NY 10001

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CAPITAL & CLASS

Autumn
1999
#69

Journal of the Conference of Socialist Economists

SPECIAL ISSUE

NORTHERN IRELAND BETWEEN PEACE AND WAR?

Topics include
Republicanism & Change; Social Class and Economic Reconstruction; Loyalist Political Identity; Policing Ireland; Masculinity and Violence; Feminism and the Peace Process; The Absence of Class Politics.

plus the usual full quota of book reviews.

With contributions from
Paul Stewart, Peter Shirlow, Denis O'Hearn with Sam Porter and Alan Harpur, also Ian Shuttleworth, Alan Finlayson, Colin Coulter, Jim Smyth, Alan Bairner and Linda Connolly.

Available NOW
£7.00 *from CSE, 25 Horsell Road, London, N5 1XL*
Tel/Fax: 0171 607 9615

Visa, Access/Mastercard accepted.

Ask about subscriptions and back issues.
Email: cseoffice@gn.apc.org

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Dissent

For over four decades *Dissent* has been a strong voice on the democratic left. The *New York Times* says that *Dissent* "ranks among the handful of political journals read most regularly by American intellectuals."

But don't take their word for it. . .or ours. Try it for yourself.

Our writers include:

Alice Amsden • *Joanne Barkan* • *Marshall Berman*
Jean Cohen • *Mitchell Cohen* • *Barbara Ehrenreich*
Susan George • *Christopher Hitchens* • *Randall Kennedy*
Meera Nanda • *George Packer* • *Frances Fox Piven*
Joel Rogers • *Alan Sokal* • *Michael Walzer*
Cornel West • *Ellen Willis* • *Joe Wood* • *and many more.*

Yes, I'd like a subscription to *Dissent*:

❑ $22 one year ❑ $15 special student rate
❑ $40 two years ❑ $7.50 single copy

❑ Check attached (drawn on U.S. currency). **Add $7 for postage outside the U.S.**
❑ Bill me ❑ VISA ❑ MasterCard

Signature _____
Card no. _____ Expiration date _____
Name _____
Address _____
City/State/ZIP _____

Return to:

Dissent, 521 Fifth Avenue, Suite 1700, New York, NY 10017

http://www.igc.org/dissent

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

been published by MRP. So we're especially pleased to announce MRP's publication this month of his new book, *Marx's Ecology: Materialism and Nature.*

John challenges conventional interpretations of Marx on ecological questions, both by analyzing his well-known works and by looking at his more neglected writings on capitalist agriculture and soil ecology. But the book isn't just a major scholarly study of Marx's writings. It explores the relations between Marx's materialist philosophy and his views on nature, finding there the basis of a theoretical framework for a vital and creative sociology of the environment. John builds on that foundation to present his own original approach to the current environmental crisis and, in place of what he calls the spiritualism of the modern Green movement, lays a theoretical foundation for more lasting and sustainable solutions. A very important achievement.

Some time ago, we mentioned in these Notes that we would occasionally run more extended debates, on topics of major importance. We emphasized that we have no intention of abandoning *MR*'s long-standing commitment to clarity and brevity (one guiding principle has been that our articles are generally short enough to read in one sitting) but suggested that from time to time we might stretch our space limits a bit in order to advance an important debate. We asked readers for their views on this suggestion, and those of you who wrote to us at the time responded favorably. So, while we still want this to be the exception rather than the rule, we hope readers will find something useful and interesting in the occasional exception.

In the June issue, John Foster and David McNally launched such a debate with their assessments of Robert Brenner's *The Economics of Global Turbulence,* an analysis of the long economic downturn which has been the subject of much discussion in socialist journals in various parts of the world as well as on the internet. In this issue, we continue that debate with Brenner's extended reply to both his critics. John Foster intends to reply in a forthcoming issue.

We are sorry to report the death in September of two members of the expanded *Monthly Review* family. Renato Constantino was a leading critical journalist and essayist who was widely considered the Philippines' most important historian and intellectual. He combined his talents of journalist and academic to educate and participate in the struggle for full independence of his country from the heavy hand of the United States, and for social changes to benefit the poor and oppressed. We are proud to have been the U.S. publishers of his original and stimulating book, *A History of the Philippines: From the Spanish Colonization to the Second World War.*

Joyce Sparer Adler was a founding member of the faculty of the University of Guyana, which was established when Cheddi Jagan was Prime Minister. She wrote extensively on Guyanese literature and Melville. Her book, *War in Melville's Imagination,* provided a novel interpretation of Melville as a rebel and social critic.

Best wishes to Jakob Moneta, who celebrated his eighty-fifth birthday on November 11, and in whose honor a conference was held on Thanksgiving weekend. Moneta was a major figure in the West German trade union movement, and editor of the metalworkers' newspaper and journal in the 1960s. In 1990, he entered the PDF and was expelled from the SDP.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(continued from inside front cover)

There is also an obvious contradiction between the short-term perspective of capital in its ceaseless quest for profit and the longer, wider view required to protect the environment. Even industries that have to look ahead must, sooner rather than later, satisfy the demands of investors, bond-holders, and banks. Only a society organized on very different principles and answering to different needs—a socialist society truly controlled by and for the people—could confront the long-term issues of sustainable production, the rational organization of space, transportation, and so on.

It has always been a mystery to us why this seemingly obvious point about capitalism and its historically unprecedented threat to ecological balance isn't self-evident to everyone. It's especially mysterious when people on the left—like many progressive environmentalists—don't see the connections between capitalism and environmental crisis. Maybe part of the answer is that people have had reason to associate not just capitalism but *socialism* with environmental destruction.

We all know, for instance, that the Communist regimes weren't noted for their ecological health. We could simply say that in these cases environmental destruction was just a sign of failure, that it wasn't caused by socialism itself but, on the contrary, by a *deficit* of socialist values and practices. The environmental concerns of many revolutionary leaders in the early days were soon overtaken by the principles of what amounted to a war economy, and the needs of the population were subordinated to the interests of privileged strata promoting their own vested interests. In capitalism, by contrast, ecological damage is less an index of failure than a mark of success, not a departure from capitalist principles but, on the contrary, their inevitable by-product, a response to the imperatives of capital accumulation.

But the association of socialism with ecological degradation has gained credence from the ideas of some Marxists, which seem to suggest that the object of socialism is just to improve on capitalist development and "progress," promoting a form of development still driven by the imperatives of accumulation. These ideas have been vulnerable to charges of "productivism" and "Prometheanism." They have given people little basis for distinguishing between socialism and capitalism as generators of unsustainable growth and ecological disaster.

That interpretation of Marxism doesn't, of course, represent our own understanding of Marxist theory or socialist practice, but we do acknowledge the prevalence of such views and the need to counter them. More importantly, we certainly acknowledge the pressing need to make it clear that socialism is, at its very core, a commitment to a sustainable relationship between humanity and the natural environment. There's nothing more important that a socialist intellectual can do in advancing the socialist project than to explain how socialism is directly antithetical to the logic of capitalism, to its imperatives of profit and accumulation, and therefore to the human, material, and ecological degradation that goes with the capitalist organization of life.

MR readers certainly know that no one has done more to accomplish this vital task than John Bellamy Foster in his groundbreaking work on Marxist ecology, especially in the pages of this magazine and in his books published by Monthly Review Press—for instance, his book, *The Vulnerable Planet*, which has recently appeared in its second edition, and the volume he co-edited, *Hungry for Profit: The Agribusiness Threat to Farmers, Food, and the Environment* (an enlarged and revised version of *MR*'s Summer 1998 issue), which has just

(continued on page 64)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

new

Necessary and Unnecessary Utopias

SOCIALIST REGISTER 2000

edited by Leo Panitch and Colin Leys

CONTENTS

LEO PANITCH & SAM GINDIN
Transcending Pessimism: Rekindling Socialist Imagination

NORMAN GERAS **Minimum Utopia: Ten Theses**

TERRY EAGLETON **Utopia and its Opposites**

FRIGGA HAUG
On the Necessity of Conceiving the Utopian in a Feminist Fashion

DIANE ELSON **Socialized Markets, Not Market Socialism**

ALAN ZUEGE **The Chimera of the Third Way**

KATE SOPER **Other Pleasures: The Attractions of Post-Consumerism**

JOHANNA BRENNER **Utopian Families**

COLIN DUNCAN **The Centrality of Agriculture: History, Ecology and Feasible Socialism**

JULIAN TUDOR HART **Democratize or Perish: The Health Sciences as a Path for Social Change**

VARDA BURSTYN **The Dystopia of Our Times: Genetic Technology and Other Afflictions**

CARL BOGGS **Warrior Nightmares: Reactionary Populism at the Millennium**

RICARDO BLAUG **Outbreaks of Democracy**

JUDITH ADLER HELLMAN
Real and Virtual Chiapas: Magic Realism and the Left

PETER GOWAN **The Real Meaning of the War Over Kosovo**

/ $23.00 PB0211 paper / / 300 pp. ($3.00 P & H) /

MONTHLY REVIEW PRESS To order: 1-800-670-9499
122 West 27th Street, New York, NY 10001 • T: (212) 691-2555 • F: (212) 727-3676

Place a standing order and receive a 20% discount on all volumes of the *Register*. Please call for details.

12

7 42055 79772 5

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED